Parliament of the Commonwealth of Australia

NOT DOLLARS ALONE

Review of the Financial Management Improvement Program

Report of the House of Representatives Standing Committee

on Finance and Public Administration

September 1990

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Appendices

Members of the Committee in 35th Parliament

Chairman: Mr S P Martin, MP

Deputy Chairman: Hon I B C Wilson, MP

Members: Mr R A Braithwaite, MP
                     Dr R I Charlesworth, MP
                     Mr M R Cobb, MP
                     Mr B W Courtice, MP
                     Mr R F Edwards, MP (from 12 April 1989)
                     Mr G Gear, MP
                     Dr J R Hewson, MP (to 20 October 1988)
                     Mr H A Jenkins, MP
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Members of the Subcommittee in 35th Parliament

The following Members served on the Subcommittee during the
course of the inquiry:

Chairman: Mr S P Martin, MP

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Members of Subcommittee in 36th Parliament

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course of the inquiry:

Chairman: Mr S P Martin, MP

Members: Mr G Gear, MP
                   Hon I B C Wilson, MP

Subcommittee
Secretary: Mr D R Elder

Adviser: Ms M Messner

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Staff: Ms L J Gillies

Terms of Reference of the Committee

The Standing Committee on Finance and Public Administration is empowered to inquire into and report on any matters referred to it by either the House or a Minister including any pre-legislation proposal, bill, motion, petition, vote or expenditure, other financial matter, report or paper.

Terms of Reference of the Subcommittee

On 21 December 1988 the *1988 FMIP Report* (prepared by the Department of Finance in cooperation with departments and agencies) was tabled in Parliament and referred to the House of Representatives Standing Committee on Finance and Public Administration for inquiry and report. The Committee adopted the inquiry at its meeting on 9 March 1989 and appointed a subcommittee to undertake the investigation.

FOREWORD

This report is the result of a major review of the central program of the Government for public sector reform, the Financial Management Improvement Program (FMIP). As such it makes a significant contribution by providing an overall assessment of what the program has achieved and areas that require further development if the program is to achieve its potential.

The breadth and complexity of the FMIP and its applications has made this a challenging inquiry for the Committee. As a result, the Committee's review and conclusions also are broad.

The Committee strongly supports the central objective of the program, that is to improve the performance of the public sector in meeting the government's and the community's goals. In essence, the program is about freeing up bureauratic processes to give public sector managers greater scope and flexibility to manage resources efficiently and effectively.

However, the Committee considers that the approach advocated by the program is yet to be fully integrated within the practices of departments.

The Committee considers that the emphasis on effectiveness needs to be reinforced. This can be done by enhanced performance information, better developed management information systems and a concentration or effectiveness issues by parliamentary committees.

There is a recognition that the FMIP is part of broader reforms in the public sector including human resource management and industrial relations. The Committee has titled its report 'Not Dollars Alone' to reflect the wider scope of the FMIP within reform in the public sector.

I would like to thank those in the secretariat who have assisted with the inquiry. As this is the first report of the Committee in this Parliament, I would like to offer the Committee's thanks to Phil Bergin, the previous Secretary, for his advice and assistance over a number of years.

The FMIP review largely was undertaken by Bev Forbes in the last Parliament. Bev provided valuable advice and support to the subcommittee undertaking the inquiry. Sharon Fisher assisted Bev in her task.

In this Parliament the subcommittee was ably assisted by Maria Messner in the preparation of a final report. I also thank David Elder, the current Secretary, and Laura Gillies for helping to bring this report to fruition.

STEPHEN MARTIN, MP
Chairman

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

3.   IMPLEMENTATION AND CO-ORDINATION

Implementation

FMIP development and implementation has, on the whole been appropriate to date although some weaknesses in execution and implementation of the FMIP strategy persist.

The main difficulties reflect some underdevelopment in important aspects of FMIP including the accountability and risk management dimensions which have yet to be adequately addressed.

There is no doubt that the formative stage of the program has extended beyond that initially expected. There continues to be a need to maintain the momentum for a commitment to reform. However, it is important that a practical focus accompanied by examples of successful implementation and deep rooted practice becomes the basis of Stage II FMIP development.

Co-ordination and Management

The decisions to disband the FMIP Steering Committee, to establish the new Management Improvement Advisory Committee and for that Committee to report to the Australian Public Service Management Advisory Board seem appropriate.

These new reporting arrangements are essential to the successful implementation of the program. They reflect general acceptance that while DOF has particular responsibility for co-ordinating FMIP, the full benefits of the government's reforms require broader involvement in FMIP oversight and direction.

Assistance from Central Agencies

Staff training and development of appropriate management skills for an FMIP environment have become key concerns for departments and agencies. In that context a number of agencies felt that DOF did not appear to be in a position to provide more than broad based advice and assistance.

4. RUNNING COSTS SYSTEM

The System as a Whole

The RCS has contributed generally to improving resource
management in the public service and to devolving central
control over administrative inputs to departments.

Nevertheless there continues to be considerable scope for
improving implementation within individual organisations.
Consistent and significant effort is required in linking
resource allocation decisions to program outputs and outcomes,
embedding devolution and effectively utilising management
systems.

The Committee recommends that departments:

- accord high priority to internal devolution of the
  running costs system including to regional offices;
  and

- increase their efforts in identifying the results to
  be achieved with given resources and in linking
  resource allocation decisions to those results.

Efficiency Dividend

Although the RCS has widespread support, most departments and
agencies have found the discipline of achieving the efficiency
dividend difficult. The 'dividend' appears to be perceived as
a disincentive to good performance and hence appears to run
counter to the objective of the RCS.

However, it is difficult to establish a case that the great
majority of departments/agencies are disadvantaged in being
required to achieve the 'efficiency dividend' given the scope
for utilising new managerial flexibilities and technology.

The Committee is of the view that the comments made by
departments and various groups in part reflect other factors
namely:

- past sensitive experiences with specific service-
  wide efficiency scrutinies;

- lack of recognition by DOF of the sensitivities
  associated with the 'efficiency dividend' and a
  corresponding lack of effort in marketing the policy
  more effectively; and

- the need to improve implementation within
  organisations.

Notwithstanding, it is very important that the DOF continues to take careful account of the merits of exceptional cases in administrating the scope for relief and flexibility within the 'efficiency dividend'.

The Committee recommends that the DOF

- **take steps to improve its marketing of 'the efficiency dividend' policy to public service organisations; and**

- **continue to take careful account of the merits of exceptional cases in applying the 'efficiency dividend' policy.**

Resource Agreements

The Committee is of the view that a move towards wider use of 'resource agreements' would:

- have to be gradual and considered;

- have regard to the availability of reliable, satisfactory and accepted measures which reflect the different responsibilities of agencies; and

- meet the overall requirement of the efficiency dividend policy and maintaining some budgetary flexibility and inbuilt control.

5. USER CHARGING

Revenue Retention

The Committee notes DAS's view that not all current arrangements are satisfactory. It is important for DOF and departments to be monitoring current arrangements to provide a basis for reviewing and adjusting charging policy and implementation. There may be scope for further refinements to financial controls as departments gain experience. However, that development should not be justified only on the grounds of increasing organisational flexibility and incentives but should be matched by a record of effective organisational performance and accountability to Parliament.

Determination of the Appropriate Charge

The critical issue for departments in introducing charging is that they do not all have in place management information systems that can provide accurate costing information on services. The Committee accepts that departments won't necessarily have in place appropriate systems prior to the introduction of charging. The Committee would expect departments to have such systems in place as soon as possible after the introduction of charging.

The Committee recommends that departments and agencies should have in place appropriate management information systems to provide accurate costing information either in conjunction with or as soon as possible after the introduction of charging.

Budget Supplementation

The Committee recognises the complexities involved in balancing all factors in each case. It supports the practice of case by case determination of budget supplementation. However, it would look to a regular review by DOF of the policy applied in this area so that agencies generally may have a better understanding of the overall basis for decisions.

Public Interest

It is important that decision makers in determining 'public interest' issues, have regard not only to commercial and efficiency factors but also to enhancing elements of social justice (equity, equality and access) in programs which is a principle of FMIP. Such considerations obviously can differ widely in extent between departments. The Committee therefore supports case by case determination of 'public interest' elements of government programs and in so doing assumes that DOF in particular has accepted responsibility for consistency of the criteria applied.

The Committee recommends that there should be a case by case determination of 'public interest' elements of government programs and that the DOF accept responsibilities for consistency of the criteria applied.

External Charging

The Committee expects the DOF to take the factors canvassed in the above section of this chapter into account in the development of policy in external charging.

The Committee recognises that the formulation of policy in relation to external charging and charging under competitive conditions is a progressive matter and requires decisions on a case by case basis.

The Committee recommends that DOF give particular attention to reviewing the revenue retention arrangements for research organisations such as the Defence Science and Technology Organisation to ensure that those organisations receive adequate financial returns and incentive in commercialising their innovations.

Implementation

The Committee notes that user charging is continuing to develop and departments are actively seeking out services amendable to charging including intradepartmental services. It would want to ensure that contributions from client departments and clients outside the Commonwealth service are taken into account in any future inquiries into specific aspects of financial management. It also sees a need to avoid duplication of reporting requirements to Parliament.

The Committee indicates its continuing interest in the user charging area and its intention to monitor the effect on clients of user charging in future relevant inquiries. The Committee wishes to be informed of policy and associated developments in relation to:

- revenue retention;

- budget supplementation;

- 'public interest' issues;

- external charging;

- charging under competitive conditions (ie choice of suppliers by client departments);

- developing a commercial attitude and culture; and

- incentives for good performance.

In the light of the information received, it is the intention of the Committee to consider whether or not a review by the Committee of these areas of policy and their application should be subject to further reference.

The Committee recommends that DOF should review reporting requirements in relation to user charging under Explanatory Notes and other statutory reporting requirements with a view to resolving any unnecessary duplication.

The Committee asks to be informed of the present policies applied by DOF in the following areas:

- revenue retention;

- budget supplementation;

- 'public interest' issues;

- external charging;

- charging under competitive conditions; and

- incentives for good performance.

This information is to be made available shortly after the end of each financial year between now and the end of the 1992/93 financial year.

6. DEVOLUTION

Devolution from Central Agencies

Both the process of appropriation and detailed regulation of financial administration has been streamlined significantly providing public sector managers with greater scope and flexibility for managing their operating expenditures and associated processes within overall resource limits.

There may be scope for further refinements to the budgetary and regulatory framework in the areas of the Running Costs System, and user charging as departments gain experience. However, that further development should not be justified only on the grounds of increased managerial flexibility and incentives. It should be supported by a demonstrated improvement in information systems, evaluation and accountability practices in the public sector.

The Committee recommends that further streamlining of the budgetary and regulatory framework should have regard to a demonstrated and significant improvement in performance information and evaluation and accountability practices within the public sector.

The Role of DOF

The Committee notes the need for DOF to develop among its own divisions the appropriate culture, attitudes and skills that support a role and approach which is consistent with the government's public sector resource management reforms.

Factors Inhibiting Devolution within Departments

The Committee is of the view that the resource management and PMB reforms provide a basis for carefully planned and implemented devolution. It notes the devolution that has occurred and recognises that it can be a protracted process. The Committee also notes that devolution must lead to improved performance and accountability and systems should be in place as quickly as possible to monitor and review performance.

The Committee recommends that departments:

- review the appropriatness of the devolutionary steps taken to date and identify where further devolutionary steps (if any) are justified;

- plan and train staff to ensure that devolution is undertaken effectively; and

- progress the development of relevant information, communication and evaluation systems.

7. PERFORMANCE INFORMATION

Performance Information

The Committee recognises that there are some difficulties involved in developing adequate performance information particularly in relation to effectiveness. It accepts that both quantitative and qualitative indicators are needed to inform judgements about performance. It notes that the pace of development has generally been slow since 1983 and that this is one of the many areas of focus in Stage II of FMIP development. It supports a concerted effort by departments as it believes that development to date has not fully reflected the perceptions of progress in the *1988 FMIP Report*. This approach underpins the conclusions and recommendations made in Chapter 8 which addresses performance information with regard to public accountability purposes particularly that available through annual reports and explanatory notes.

The Committee recommends that:

- Departments and agencies should make a concerted effort to develop performance information that assists decision-making and accountability. There should be a demonstrated improvement in this regard by 1992; and

- the department of Finance should increase its practical assistance to departments with emphasis on development of performance information relating to program effectiveness.

Management Information Systems (MIS)

The development of appropriate management information systems is essential to devolved management, implementation of user charging, monitoring of performance, good evaluation practice and internal and external accountability requirements. The emphasis to date has been on establishing financial, personnel and process-related systems and progress generally has been limited.

The development of systems which integrate effectiveness criteria with efficiency related information are at an embryonic stage in departments. The DOF consultancy service should incorporate assistance to departments in this regard. The Committee supports the continuation of a central co-ordination of effort on MIS development.

The Committee recommends that:

- departments and agencies should make consistent and substantial efforts to develop appropriate management information and reporting systems that facilitate monitoring of performance, decision-making and accountability; and

- the monitoring of developments within departments and agencies and the identification and dissemination of 'best practice' should be a priority focus of the MIAC's annual work plan.

Evaluation

The Committee acknowledges that a systematic and comprehensive evaluation approach by departments and agencies is critical to sustained improvement in public sector performance and accountability. It recognises, however, that most departments have a considerable way to go in achieving this. Progress is linked to development of good performance information and management information systems and reporting requirements. The Committee recognises the importance of providing departments and agencies with greater incentive to improve their evaluation capacity through the linking of evaluation outcomes particularly to decisions made in the central budgetary process.

The Committee recommends that:

- departments and agencies should make a consistent and systematic effort to develop their evaluation planning processes and link these more consistently to their decision-making and priority setting. There should be a demonstrated improvement in this regard by 1992;

- the Department of Finance should:

  - increase and more effectively target its
    practical assistance on evaluation to
    departments; and

  - ensure that departmental evaluations are linked
    into the decision-making of the central
    budgetary processes.

8. PUBLIC ACCOUNTABILITY

Who is accountable to whom for what?

The Committee concludes that both Ministers and public
servants are accountable to Parliament. Ministers are
accountable in a direct sense. Public servants are
accountable, but in a less direct sense. They have
accountability obligations in terms of keeping Parliament
informed and assisting parliamentary scrutiny of public
administration and expenditure.

The power of parliamentary scrutiny extends beyond having
public servants report on their activities. The ability of
parliament scrutiny processes to expose unethical, inefficient
or ineffective public administration adds an additional
dimension to the accountability of public servants to the
Parliament.

The picture in relation to what accountability covers is also
complex. Parliament has a wide interest in accountability
ranging from issues concerned with the process and probity of
government administration and spending, to the efficiency,
effectiveness and appropriateness of government policies and
programs. It will wish to be informed about, and scrutinise,
all these issues.

FMIP and the 'New Accountability'

The FMIP changes provide the opportunity to build on the
Parliament's already broad approach to scrutiny. To enable
this to be achieved it will be necessary that:

- the FMIP changes are more fully explained to the
  Parliament;

- there is better integration of performance
  information being generated as part of the FMIP
  changes into the Parliament's existing scrutiny
  processes;

- this accountability information develops further in addressing issues of performance; and

- there is openness towards, and co-operation with, the Parliament's scrutiny processes on the part of the Executive, particularly public servants.

In relation to the first point, the Committee suggests that the DOF, as the central agency facilitating FMIP implementation, undertake to inform Parliament better about the FMIP changes and their implications for accountability.

The second point is addressed in the next section while the third point was discussed in the last chapter.

In relation to the fourth point the Committee considers that greater demands for accountability may be made of public servants by Parliament as greater attention is directed towards issues of performance. Public servants may be called increasingly to account for the effectiveness of programs as well as their efficiency. Greater demands may also be made of public servants in terms of openness and co-operation as the success or failure of government programs is open to greater exposure. The Committee suggests that the 'Government Guidelines for Official Witnesses Before Parliamentary Committees and Related Matters' may need to be revised to reflect the increasing interest of parliamentary committees in issues of effectiveness. It may no longer be possible to make a simplistic division between policy and administration.

The Committee also considers that there is a need for the Parliament to have its committees better define their objectives and interrelationships. This is beginning to happen through meetings of committee chairpersons (and in some cases, deputy chairpersons). The Committee considers that this process could be formalised.

The Committee recommends that:

- the Department of Finance, in consultation with the Parliament and its committees, undertake a regular program of seminars to inform members and staff of the Parliament about FMIP changes and their accountability implications;

- the Department of Prime Minister and Cabinet consider revising the 'Government Guidelines for Official Witnesses Appearing Before Parliamentary Committees and Related Matters' to better reflect the accountability requirements of public servants that arise from the FMIP changes; and

•   an arrangement be formalised for parliamentary
    committee chairpersons and deputy chairpersons to
    meet on a regular basis to discuss parliamentary
    committee objectives and interrelationships.

Information for external accountability

The Committee concludes that:

•   to improve the quality, and reduce the quantity, of
    formal accountability information coming to the
    Parliament, there is a need to resolve its purpose
    and content and reduce overlap;

•   the House and Senate general purpose committees make
    greater use of the Explanatory Notes within the
    context of their general inquiries. The preparation
    and distribution of the Explanatory Notes should
    reflect this wider usage. Their name should be
    changed to Program Performance Statements to reflect
    their wider function; and

•   there should be greater scrutiny by parliamentary
    committees of annual reports, including
    consideration of joint scrutiny by House and Senate
    general purpose committees.

The Committee recommends that:

•   the Department of Prime Minister and Cabinet and the
    Department of Finance give high priority to
    resolving the purposes, content and overlap between
    the explanatory notes and annual reports;

•   the House of Representatives, through its
    committees, should increase its scrutiny and use of
    performance information in the explanatory notes by
    making greater use of the information in their
    general inquiries;

•   the preparation and distribution of Explanatory
    Notes reflect the wider usage of the documents by
    parliamentary committees and their name be changed
    to 'Program Performance Statements'; and

•   the House of Representatives, through its
    committees, should increase its scrutiny of
    departments and agencies by reviewing their annual
    reports. Consideration should be given to joint
    reviews of annual reports with relevant Senate
    committees.

Australian National Audit Office

The Committee concludes that the ANAO performs an essential role in supporting accountability of the Executive to the Parliament. To further enhance this role it is necessary that:

. the ANAO be given adequate resources, not only to fulfil statutory compliance and regulatory auditing, but also to conduct more efficiency audits in relation to public administration; and

. in undertaking efficiency audits, the ANAO continue to provide comments on the adequacy of performance indicators and management information systems.

The Committee recommends that:

. **the ANAO be given adequate resources to conduct more efficiency reviews of government programs, incorporating consideration of the adequacy of performance indicators and management information systems.**

Accountability within Departments

The Committee concludes that internal accountability has imposed significant reporting requirements on departments and agencies. In establishing and refining management information systems, departments and agencies should ensure a close linkage between the information generated for the purposes of internal and external accountability. This should enable reporting requirements to be as simple as possible given the accountability demands being made.

The Committee recommends that, in establishing management information systems, departments and agencies ensure a close linking of the information for internal and external accountability reporting.

9. RESOURCE MANAGEMENT TRAINING

Quality of Training

The Committee concludes that the most appropriate approach to resource management training is to have a constructive interaction between departmental and central agencies - in the context, however, of responsibility for staff training and development resting with the employing department or agency. The Committee asks that the APS Management Advisory Board, departments and agencies take this view into account and the need for co-ordination and planning of activities in

developing approaches to resource management training. While the Committee assumes that the co-ordination aspects will be addressed by all parties, it asks that the MAB particularly consider this aspect and the inclusion in corporate plans of HRD goals and objectives.

The Committee recommends that the APS Management Advisory Board give consideration to encouraging departments and agencies to include human resource development goals and objectives in their corporate plans.

The Committee recommends that:

- departments and agencies take account of the wide scope of human resource development and strengthen their planning in this regard so as to relate training more directly to program activities and objectives;

- departments and agencies include resources for resource management training in their allocations for human resource development;

- the government continues supplementary funding for training through the Public Service Concession and the Joint APS Training Council; and

- departments and agencies collect information on training expenditure and budgets and advise these in Annual Reports and Explanatory Notes respectively.

10. ACHIEVEMENTS OF THE FMIP AND CONCLUSIONS

Areas requiring further development

The Committee considers that the various management reforms embodied within the FMIP have been implemented sucessfully in a number of key areas. However, as yet they are not fully operational in all departments. Many departments are still a considerable way from achieving the full benefits from the reforms. The discussion in this section refers to those areas which the Committee considers require further development. The conclusions and recommendations in earlier chapters provide guidance on how the Committee sees these areas being addressed in the future.

Review of *1988 FMIP Report*

The Committee commends the Department of Finance, departments and agencies for their efforts in preparing the *1988 FMIP Report*. This progress report is a worthwhile exercise in accountability for individual departments and the program as a whole. However, the Committee's comments on the 1988 review should be addressed in forthcoming reviews.

The Committee considers that, following its review, the FMIP as a whole should be formally reviewed again in 1992. To take account of the Committee's comments on the 1988 review, the Committee considers that the 1992 review should be undertaken by an organisation other than DOF and should be a full-scale effectiveness review of the program. In doing so it should focus more closely on:

- a quantification of the savings which are resulting from the program;

- the achievevents of departments and agencies with the program; and

- the views of clients as to the impact of the FMIP on service delivery.

The Committee recommends that a full-scale, independent effectiveness review of the FMIP be undertaken in 1992. The review could be undertaken under the direction of the Management Improvement Advisory Committee. The review should give close attention to:

- a quantification of the savings which are resulting from the program;

- the achievevents of departments and agencies with the program; and

- the views of clients as to the impact of the FMIP on service delivery.

1. SCOPE AND CONDUCT OF THE INQUIRY

Background to Inquiry

1.1   The Financial Management Improvement Program, known as FMIP, is part of the Government's overall public sector reform strategy. It is a comprehensive approach that encourages value for money management through changes:

- that streamline the budget allocation and appropriation process and simplify and update the body of rules regulating public financial management;

- that improve the system by which departments and agencies make decisions, manage and evaluate achievements; and

- that enhance public accountability and scrutiny.

The FMIP framework and philosophy are discussed in Chapter 2.

1.2   Implementation of the program commenced in April 1984.

1.3   In November 1987 the House of Representatives Standing Committee on Finance and Public Administration was briefed by the *Department of Finance on the Program Management & Budgeting* initiative (PMB) and performance indicators and advised of a forthcoming report on the FMIP which included details of those issues. PMB is a major vehicle for implementing the changes fostered by the FMIP particularly improvements to accountability and departmental management systems and practices.

1.4   Following those discussions the Committee expressed an interest in the FMIP and how it is being implemented in individual departments and pursued the possibility of having the *1988 FMIP Report* referred to it.

1.5   That suggestion was supported by the Minister for Finance, Senator Walsh who, in a letter dated 24 August 1988 to the Chairman, noted that he believed referral of the report to the Committee:

> ... to be a useful way of keeping Parliament informed of the progress being made in implementing the FMIP and associated financial management reforms.

1.6   On 21 December 1988 the *1988 FMIP Report* (prepared by the Department of Finance in co-operation with departments and agencies) was tabled in the House of Representatives and referred to the Committee for inquiry and report.

1.7   The Committee adopted the inquiry at its meeting on 9 March 1989 and appointed a Subcommittee to undertake the investigation. The inquiry was not completed in the 35th Parliament and was referred again in the 36th Parliament by the Minister for Finance. A subcommittee of members who were on the subcommittee in the 35th Parliament was appointed to prepare a report.

1.8   From the outset, the Subcommittee recognised the wide-ranging nature of the FMIP program and its inquiry.

1.9   In developing its methodology for the Review, the Sub-committee noted that the Senate Standing Committee on Finance and Public Administration would be touching on FMIP's contribution to improving parliamentary scrutiny in its current inquiry into Portfolio Explanatory Notes and estimates documentation including trust accounts and special appropriations. The Subcommittee also noted that a number of performance and efficiency audits by the ANAO had examined specific aspects of the FMIP such as performance indicators. Two major internal FMIP reports had commented on progress: the report referred to the Committee and an earlier *FMIP Report* in 1986 prepared by the PSB and DOF in co-operation with departments and authorities.

1.10   The Committee's inquiry, however, is the first external review of the FMIP. The review is not a full-scale one of the program, but more one that considers general issues of importance to FMIP development and implementation.

1.11   The Committee therefore considered that the key to a realistic assessment of the 1988 FMIP report and progress in the program to date lay in examining the way departments and agencies have applied and exploited the changes fostered by the FMIP. The Subcommittee believed this could best be assessed by focusing on the second element of the FMIP framework, namely the systems by which departments and agencies make decisions, manage and

evaluate achievements. In recognition that the FMIP is largely targetted at budget dependent agencies, the Committee decided to exclude from its inquiry, the changes that have been made to improve the performance of Government Business Enterprise (GBE's).

1.12   With these considerations in mind, the Subcommittee adopted in April 1989 the following terms of reference:

. 	to assess the *1988 FMIP Report*

. 	to review progress on the FMIP

. 	in particular, to focus on the following issues:

− 	devolution and the role of central agencies

− 	running costs system

− 	charging for services (user charging).

− 	performance information

− 	accountability

Conduct of the Inquiry and Structure of the Report

1.13   The Committee recognised that it would have to rely primarily on anecdotal evidence to provide an indication of progress. It first sought written submissions in early March 1989 from all public service departments and organisations involved in the program as well as from other interested parties. Thirty-two submissions from departments, the unions, client groups, professional associations and academics eventually were received. These are listed at Appendix A and associated exhibits are listed at Appendix B.

1.14   A limited number of written responses were initially received for the inquiry. This prompted the Committee, in its programs of public hearings and discussions, to seek evidence from a wide range of organisations involved in the program, including both policy and program-oriented departments and from central agencies.

1.15   Recognising that three-quarters of the Australian Public Service are located outside Canberra in State, regional and area offices and that there has been limited investigation of the impact of public service reforms on that group, the Sub-committee decided to also include regional managers in its review. The views of public sector unions and two client groups were also sought. In total the subcommittee took evidence from

the forty-eight witnesses listed at Appendix C at ten public hearings on ten days between 2 June and 27 November 1989. Four days of briefings, informal discussions and regional inspections were also held during which the subcommittee held discussions with the thirty-one people listed at Appendix D.

1.16   The Committee wishes to acknowledge the contribution of all who gave written or oral evidence to this inquiry and the assistance provided by the DOF and the nominated contact officers for the inquiry in other departments.

1.17   All written submissions and transcripts of oral evidence from public hearings have been incorporated in separate volumes. Copies of these documents are available for inspection at the Committee Secretariat and the Parliamentary Library. References to evidence in the text of this report relate to page numbers in those volumes.

1.18   The Report's structure is guided by the inquiry's terms of reference. Chapter 2 describes the FMIP framework and philosophy. Management and implementation of the program are covered in Chapter 3 followed by 5 chapters discussing the major issues investigated by the Committee. Chapter 9 discusses resource management training and Chapter 10 summarises the Committee's conclusions on the achievements of the program and reviews the *1988 FMIP Report*.

2. FRAMEWORK AND PHILOSOPHY

2.1   This chapter describes the framework and some of the central tenets and principles underpinning the FMIP program. It links the FMIP to the government's broader reform strategy for improving management and performance in the public sector. It also raises some of the criticisms of the FMIP approach. In doing so, it sets a backdrop to the remaining chapters in this report which address the extent of service-wide implementation.

Reform in the 1980's

2.2   The 1980's has been marked by major reforms of the public sector. The public sector is a crucial agent of government, of community trust and of management in the community interest. It therefore must be able to adjust and reshape itself in response to wider changes in the political, societal, economic, and technological environment. At the same time it must have the capacity to influence these wider changes at the domestic and international level. This is crucial in the interests of its own credibility, standing and relevance to the social and economic objectives of government and needs of the community.

2.3   The past 20 years have fostered a changing society and values, significant technological development and major economic and international challenges. New concerns have emerged about the nature of government, its role as a supplier of particular government services, its accountability to the community, and the question of value for money in the delivery of services. These broader trends, needless to say, have been paralleled by an increasing complexity in the way the government manages its business.

2.4   The industry of public administration is by no means homogeneous. It has moved well beyond its original role of policy advice, defence of the realm, enforcement, tax collection, regulation. The government is prepared to intervene in a variety of ways to modify the workings of and manage the economy. There are agencies involved in major trading activities, in operations, provision of welfare and non-commercial services to the community, and supply of services to other government agencies. The result is a vast and complex apparatus.

2.5   The task is made more complex by the nature of goals such as those connected with notions of 'public service' and of social justice with its attendant features of equality and equity in service provision. These imperatives are applied more rigorously in the public sector than private enterprise. Nonetheless, overall strategic management, the process of examining what should be achieved, its costs, whether there are better alternatives and focusing on a longer range outlook are as fundamental to any public sector organisation as to a private sector one. Managers in the public sector share with the private sector the task of improving productivity and of delivering value for money products and services. As with their private sector counterparts, managers need to be able to respond to change. It is important that they have the capacity and incentives to pursue relevant, economic, efficient and effective behaviour prudently.

2.6   In Australia as overseas, a key objective of governments has therefore been to improve the performance of their public sectors. A major challenge has been the need to identify and pare away unnecessary institutional constraints which have become embedded in the public system and which result in continuing and unproductive tensions between the conditions required for sound management, the political process and accounting for public resources.

2.7   Australia has not been alone in introducing reforms at the Federal and State levels. The underlying thrust of the reform process in most countries has been to:

.   a smaller and more effective public sector;

.   more efficient and effective delivery of government programs; and

.   a public service which is more accountable and responsive to the objectives of government and the needs of the community.

2.8   Reform of the Australian public service in the 1980's has been based on the findings of a number of official studies and reports including:

.   the Royal Commission on Australian Government Administration (1976) - The Coombs Report;

.   the Review of Commonwealth Administration (1983) - The Reid Review;

.   a Government Policy Information Paper - Reforming the Australian Public Service (1983);

- the Financial Management Improvement Program Diagnostic Study (1984); and

- reports of the Efficiency Scrutiny Unit (ESU) 1987.

2.9   The Australian government undertook a comprehensive and substantial reform program from 1983 which encompassed changes to its budgetary, regulatory and administrative framework and restructuring of personnel and financial management standards and practices. The major areas of the government's reform strategy are set out on p.9 together with the dominant themes underlying these reforms. These reforms seek to encompass the traditional notions of 'public service' ethos, professionalism, ethical behaviour, maintenance of public trust, managing in the public interest and public accountability.

2.10   The aim of the reforms has been to free up bureaucratic processes so as to:

- enhance medium-term planning and setting of priorities whilst strengthening the management and control of public expenditure;

- allow public sector managers greater scope and flexibility to respond to change; and

- make government programs more effective through making managers more accountable for the results achieved with public resources.

The FMIP

2.11   The FMIP forms a major component of the government's reform strategy. It encompasses the areas of reform on p.9 which relate to the budgetary and regulatory framework, program management and budgeting (PMB), commercial practices, incentives and reporting mechanisms which include the provision of quality information on performance.

2.12   It is important to note that FMIP is only a part of public sector reform, albeit an important part. FMIP is directed at:

- streamlining the budget formulation process and simplifying and updating the body of rules regulating public financial management;

- improving the system by which departments and agencies make decisions, manage and evaluate achievements; and

7

. enhancing public accountability and scrutiny.

2.13   A number of chapters in this report discuss the central principles underpinning the FMIP namely:

- devolution of control from central agencies and within departments to increase managerial flexibility – 'letting the managers manage and making them manage';

- the user pays principle;

- public accountability; and

- effective performance.

Two other principles namely 'risk management' and 'results orientation' are referred to in this chapter.

2.14   As noted in Chapter 1, the report focuses on departmental management systems. In so doing, it covers key structural elements of FMIP namely, the Running Cost System, PMB, User Charging, receipts retention and Annual Reports. In covering these structural elements, it also refers to changes in values and attitudes that have occurred.

The Managerial Debate

2.15   The FMIP is not without it critics. The 'new managerialism' fostered by the FMIP has drawn criticism, principally from academics. Some have questioned the nature of outcomes for clients and staff from the 'management-for-results' orientation. Others have focussed on the appropriateness of drawing on private sector practices. A number have considered the implications of cental tenets such as 'risk management' and 'accountability' suggesting that the new managerial philosophy diminishes the traditional 'public service' ethos and opens up 'accountability traps' for public servants.

2.16   These arguments are refuted by the DOF and a number of senior public sector managers. Aspects of the overall debate are explored in relevant chapters. In this chapter, the Committee refers to two issues 'risk management'and the 'managing for results' orientation.

THE GOVERNMENT'S REFORM STRATEGY
1983-90

Improving the performance of the Public Sector

AREAS OF REFORM

BUDGETARY AND REGULATORY
- Portfolio Budgeting
- Forward Estimates
- Finance Directions
- Running Costs
- consolidation of appropriations
- integration of staff and financial budgeting
- carryover of unspent money
- inclusion of minor capital
- cash limits

PMB
- Objective setting
- Planning
- Implementing/monitoring
- Performance information
- Program Structure
- Budgeting
- Evaluation

COMMERCIAL PRACTICES
- Commercialisation
- Purchasing Reforms
- Cash Management
- Asset Management
- User Charging

INCENTIVES
- Devolution
- Resource Agreements
- Receipts Retention
- Efficiency Dividend

REPORTING MECHANISMS
- Corporate Plans
- Budget Documentation
  and Explanatory Notes
- Annual Reports
- Audit Changes
- Accrual Information
- Financial Statements

ADMINISTRATIVE LAW
- Administrative Appeals Tribunal
- Freedom of Information
- Administrative Review Council
- Ombudsman
- ADJR Act

HUMAN RESOURCE MANAGEMENT
- Industrial Democracy
- EEO
- Structural Efficiency Principle
- Merit Protection Review Agency
- Office Structure Implementation
- Senior Executive Service Formation
- Occupational Health and Safety
- Selection of Departmental Secretaries
- Skills Competencies
- Workforce Planning
- New Superannuation Scheme (1990)

OTHER
- Service Wide Efficiency Scrutinies
- Information Technology
- Machinery of Government changes 1987

DOMINANT THEMES IN MANAGEMENT

STRATEGIC FOCUS
Objectives and priorities clearly set and understood with a strong emphasis on planning and a proactive approach.

GREATER FLEXIBILITY
A less structured central system allowing managers greater freedom to manage and to make changes, adjust priorities, reallocate resources and manage risk.

RESULTS ORIENTATION
Focus is on outputs and outcomes rather than simply on inputs and processes.

EFFICIENCY
Outputs are maximised for a given level of resources or resources minimised for a given level of output.

EFFECTIVENESS
The extent to which program outcomes achieve stated objectives.

APPROPRIATENESS
The extent to which outcomes match Government policy and priorities and community needs.

ENHANCED ACCOUNTABILITY
Greater emphasis on accountability to Ministers Parliament and the public for program performance while ensuring that due process and probity are maintained.

INCREASED SCRUTINY
A system, the processes and decisions of which are more visible and open to scrutiny by staff, Parliament and the public alike.

ETHICS
Adherence to proper processes and procedures.

SOCIAL JUSTICE
Equity, equality and access and participation in government programs.

PRODUCTIVITY
Healthy, skilled, productive workforce.

Risk Management

2.17   'Risk Management' is one of the underpinning principles of the FMIP philosophy of 'letting the managers manage'.

2.18   The advocacy of 'risk management' rests in part on the proposition that the budgetary and regulatory framework of previous decades fostered a tradition in public sector decision-making and operations in favour of risk avoidance and minimisation regardless of the cost and effort involved. This resulted in a plethora of controls which in themselves were not necessarily a guarantee against mismanagement but which were regarded as so cumbersome as to generate efficiency costs that were considered too high. Under FMIP, a number of such controls have been relaxed to enhance managerial flexibility. This has led to changes in standards and practices which include:

    .   charging for services;

    .   improved accounts processing procedures;

    .   changes in procurement practices and purchasing; and

    .   better cash management practices.

2.19   FMIP is said to encourage a 'risk management' approach which identifies all material areas of possible loss/error/opportunity, assesses the benefits and costs of the available options and facilitates judgements about the level of risk involved in achieving effective outcomes. It encourages managers to identify the possibility of small losses and to manage them rather than put at risk the achievement of higher levels of performance overall.[1] It is directed at reducing administrative costs and achieving more effective operations and outcomes.

2.20   'Risk management' is not an entirely new concept or approach in the Public Service. However, the FMIP thrusts have generated uncertainty and considerable debate over what a 'risk management' approach in the Public Sector entails.

2.21   As Chapter 8 points out critics have focussed on:

    .   whether issues of priority, fairness and notions of 'public service' will continue to receive sufficient attention; and

    .   whether a lessening of regulatory controls will open up increased possibilities of fraud and mismanagement.

2.22   The DOF has indicated that a 'risk management' approach
does not necessarily mean a considerable increase in errors or
losses or breaches of probity.[2] DOF sees it as an issue of
endeavouring to change the balance between effectiveness and
compliance in public sector management. The balance represents
a trade-off between the risk of fraud, or error or waste, the
nature and extent of the system to deal with it and the cost
involved.

2.23   The Auditor-General has however, distinguished between
the ideal of risk and the reality of risky management. More
recently he has drawn attention to the importance of:

> .   the proper management by managers of the
>   relationship of risk to control;
>
> .   the monitoring of actual results to enable
>   appropriate adjustment to operations; and
>
> .   most importantly, accounting for performance.
>   This requires 'the machinery for assessment of
>   performance and reporting and analysis of results
>   to be effective and robust'.

The Auditor-General has indicated that while the acceptance of
'risk management' in the public sector has been somewhat rapid,
'there may have been much slower recognition of the essentiality
of its proper management.[3]

2.24   In its current inquiry into the Australian Customs
Service (ACS), the Committee is examining ACS's use of risk
profiling and risk management techniques in aspects of its
operations. The use of risk management by the ACS allows it to
direct its resources to areas identified as high risk. For
example, it is claimed that such an approach both increases the
potential for greater control over importation of illegal goods
while ensuring that the bulk of people and goods of low risk move
more quickly. As part of the Committee's investigation, it will
be looking at the effectiveness of ACS's risk profiling and how
ACS assesses that line between risk management and risky
management.

2.25   During the FMIP inquiry it was suggested that
administrative review bodies such as Parliament and its
committees have not understood the changes to 'risk management'
that have been pursued within FMIP[4]. Administrative review
bodies such as the ombudsman, the ANAO and Parliament and its
committees have and will each continue to have different
standards of legitimate public risk as is appropriate to their
respective responsibilities. This poses the question of who sets

the standards for what is 'appropriate'. This issue is surrounded by matters of political, social and ethical judgement. The Committee suggests that it will be up to managers to convince others that the risk therefore taken is sensible and well managed. They must appreciate that they take risks in the light that their decisions will be reviewed and that they may need to adjust their operations in the light of experience.

2.26   Also the DOF, in promoting the ideal of 'risk management', needs to explain the concept including its practical and proper management dimensions. The evidence to the inquiry indicates that this has yet to occur fully.

Managing-for-Results

2.27   The FMIP framework encourages departments and agencies to establish a 5 tier system for improving management covering corporate and program management, organisational structures, management information systems (MIS) and evaluation. This managing-for-results system by which managers make decisions manage and review achievements is, according to the Secretary of DOF, the 'raison d'etre' of the reforms. It focusses 'management attention on the purposes of programs and the cost-effective achievement$_5$ of outcomes rather than simply on inputs and processes'.[5]

2.28   This 'results oriented' management system is illustrated by the figure on page 13 which is reproduced from the *1988 FMIP Report* p.19. The diagram presents an overall snapshot of departmental progress since 1983 in establishing the appropriate structures but nevertheless says little about the quality of implementation. It appears that most progress has been made in establishing structures for corporate and program management with more modest achievements for example in MIS development, a point the Committee considers in Chapter 7.

2.29   The question nevertheless legitimately arises as to what the FMIP means by 'results' in public policy and management terms. Critics believe that the FMIP does not pay sufficient attention to the complexities of this issue.

2.30   In public policy a 'result' is often more difficult to specify with precision than is the case in the private sector where relatively simple and precise measures such as profit, market share, return on investment, constitute generally understood criteria with widely accepted (if not accurately understood) meanings. Such criteria may be relevant to some government business enterprises where their operations approximate the private market model.

Managing for results... a 'snapshot'

Based on key indicators from the 18 Departments and 3 Authorities

NONE ▼ ALL

Corporate Management
Agencies • whose corporate management committee meets regularly
• and which have a statement of goals or a corporate plan
• and whose allocation of staff and administration funds is broadly
consistent with Agency goals or the corporate plan

▼

Program Management
Agencies • which have a program structure approved by the Minister or Agency
Head 2
• and which have descriptions or objectives for programs & sub programs
• and which have made formal program management arrangements

▼

Organisation Design
Agencies • whose organisation structure has been modified to reflect the
program structure
• and which have devolved control over administrative expenditure
within approved limits to State Office Directors/Branch Heads

▼

Management Information
Agencies • whose management information needs have been reviewed in the
light of moves to program management
• and whose information system can monitor resource use and results
being achieved

▼

Evaluation 3
Agencies • which have a formal policy for evaluating performance of all programs
• and which have indentifed descriptions or objectives for programs
• and which have efficiency or effectiveness performance indicators
for at least some programs or sub-programs

NONE ALL

☐ Indicates the proportion of Departments and Agencies which have achieved the specified key indicators

Key
Notes

▼ Indicates status reported in 1986

1. The Australian Bureau of Statistics, Custom Service and taxation DOffie
2. These elements have been adopted in all Deparmtnet and Agencies
3. There is now a formal government requirements that all departments and agencies plan for the
periodic evaluation of their programs.

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2.31   It is generally accepted that the public and private sectors share the objective of focusing management on the purposes and on cost effective achievement of outcomes. However, the public sector is marked by broader, more complex and diverse purposes, with more widely expected attention to legality, probity, equity, fairness, responsibility, openness and accountability. Managers need to have regard to all of these aspects in achieving results and in doing so are likely to encounter dilemas and conflicts as for example described earlier in relation to 'risk management'. Moreover, in the private sector, services are based more on the stimulation and exploitation of market opportunities. Within the public sector, levels of services and outputs in budget dependent agencies in particular are based more on assessed community need, the availability of resources within the budget allocation and on actual or perceived priorities.

2.32   Also the public sector is more marked by a range of client, community and political attitudes and responses that influence the shaping of purposes, implementation strategies and the outcomes targetted on a continuing basis. In addition, public policy is frequently marked by purposes which aim;

        .   at the provision of services over time and/or at
             changes to circumstances or situations over an
             extended period of time; or

        .   as is the case with defence policies at possible
             contingences that don't arise or which arise in
             other than anticipated ways.

2.33   The identification of outcomes and the giving of meaning to 'results' is thus usually a longer term process than in the private sector. The adaptive nature of public policy also means that particular purposes, strategies and targetted outcomes change with the perceived changes in the circumstances which led to a particular program in the first place.

2.34   The 'results' of planned services, therefore can be viewed from different perspectives depending on the attitude or expectation that is brought to bear by the observer or analyst.

2.35   Ministers, the government and community groups, Parliament and other administration review bodies are concerned with the quality of the actual results of government programs. These may relate to processes or policy outcomes. The focus of Parliament and administrative review bodies will reflect their 'public interest' and public accountability roles and responsibilities. From the perspective of government, results must be consistent with:

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- political, social and economic objectives of government and the policies and priorities underlying these;

- the trade-off between various policy objectives faced by government; and

- the patterns of expenditure and use of resources that match its overall policy direction and priorities.

2.36   Typically a government expresses its purpose in terms of broad, over-arching policy goals which can be diffuse and multiple. The FMIP and PMB framework helps focus and clarify the various elements and provides for the development of a hierarchy of objectives, including operating objectives, strategies and activities to give effect to government goals and priorities. For any organisation, however, that process usually has to be selective and programs or their components may incorporate a number of objectives which may not always be fully consistent with each other, or indeed, fully encompass all aspects of relevant broad policy goals.

2.37   Therefore, managers are involved in devising targets and priorities according to their assessment of the policy objectives of a program and in using administrative processes to adjust and steer the machinery to secure 'a good result' in both process and policy terms.

2.38   The establishment of such an operational framework and the management of a program require a range of decisions. Not least of these is identification of effectiveness criteria to facilitate judgements about the extent to which a particular policy objective is to be achieved and the nature of policy outcomes. Some of these judgements will therefore be political ones such as the decisions on what percentage of a target group should be covered. Such judgements can lead to reactions from affected clients, interest groups and the community who tend to focus on results (or lack of them) where they are affected the most - at the point of service delivery and operations.

2.39   Managers, must therefore take into account the logical relationships between external influences, inputs, activities, processes, outputs (in the form of advice, action, decisions and products), operational objectives and the hoped for policy outcomes. Moreover, policy outcomes incorporate considerations of effectiveness, social justice (equity) and efficiency. In some cases 'effectiveness' criteria can be overtaken by 'efficiency' considerations where the pursuit of savings are given higher priority$_6$ than the improved provision of some service or outputs.

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2.40   What all this illustrates is the difficulty of giving a precise and usually understood and accepted meaning to 'a result' at various parts of the planning, implementation, and evaluation cycle of public policy. This highlights the importance of:

·   conditioning the debate by regular monitoring, reporting and evaluation; and

·   having available information which relates both to efficiency and effectiveness criterions including the effect on clients.

Chapter 7 explores the difficulties of developing systems that provide feedback into decision-making and planning.

2.41   The FMIP 'managing-for-results' framework potentially has the virtue of making transparent some of the choices and dilemmas described above rather than having decisions on them made by default. However, some of the complexities described above need to be recognised more fully than they have been to date in the FMIP methodology.

Relationships to Other Reforms

2.42   There can be little question that the FMIP supports other areas of reform, principally the service-wide efficiency scrutinies such as travel and accounts processing and the machinery of government changes in 1987. Both reforms were directed at increasing efficiency and effectiveness. The latter also by reducing the number of departments from 28 to 18 sought to enhance Ministerial control and improve planning and decision-making by reducing overlaps and duplication in services.

2.43   The government's human resource management reforms (page 9) have sought to develop the structure, conditions and practices that result in a skilled, productive and flexible workforce. However, a change to past approaches also requires the development of a culture in public sector decision-making and operations which recognises that motivated, committed and skilled people are an organisation's key resource and crucial to its effectiveness and performance.

2.44   Central to any organisation's successful management of change should be a capacity:

·   to recruit, manage and reskill its people to help them accept change and implement it successfully;

·   to foster leadership that operates not only at the very top in organisations but also at different levels within it; and

- to encourage acceptance by line managers of responsibility for good performance including the management of people who contribute to that performance.

2.45   One of the criticisms often levied at the FMIP is that it neglects this human dimension-focusing mainly on mechanistic and structural changes. This assertion is lent credibility because of the mechanistic and formal terms in which the FMIP is frequently couched namely - structures, framework, plans, controls, systems, rules and regulations, standards, practices and compliance. What tends to be overlooked perhaps is that, while the FMIP is not targetted at this human dimension, it has the potential for giving effect to effective human resource management. It can assist:

- through a clear statement of an organisation's mission, and objectives which can be translated into work plans for individual groups so they can understand where they are expected to contribute;

- through fostering devolution of responsibility and authority down through an organisation; and

- through encouraging systems that monitor and assess performance and provide feedback into decision-making and planning.

What is required, of course, is a linkage between human resource management strategies and corporate management in organisations. The evidence to the inquiry indicates that this has yet to occur in a substantive way in most departments and agencies.

Developments Elsewhere

2.46   The DOF notes in the *1988 FMIP Report* (p.86) that most OECD countries have programs of financial management improvement similar to the FMIP - for example, the United Kingdom's Financial Management Initiative (FMI) which was launched in 1982 and Canada's (1986) Increased Ministerial Authority and Accountability (IMAA) initiative. In the USA there have been a variety of initiatives at both State and Federal level including one federally in which four key management agencies have worked jointly on financial management co-ordination and improvement through a Joint Financial Management Improvement Program (JFMIP). A new financial management system has the support of the Government as part of the New Zealand reform program.

2.47   The DOF also notes that all of the Australian States and the Northern Territory have taken steps to improve public sector decision making and resource management practices.

2.48   However, it appears that no State or Territory
Government reforms are as comprehensive as the FMIP though in
some areas State Governments have established a number of key
thrusts. For example, New South Wales, Western Australia and
Queensland have emphasised new financial legislation; Victoria
and New South Wales have stressed annual reporting legislation.
More recently VIC has also paid substantial attention to the
development of performance indicators that address effectiveness,
an issue which this report addresses in Chapter 7.

ENDNOTES

1. p4, FISC 1989/3

2. P Barrett - Managing Risk or Risky Management,
   24-28 October 1988

3. John Taylor, The Role of the Auditor-General in Efficiency
   Auditing, 5 July 1990 - Griffith University

4. para 8.37 and <u>Evidence</u>, p.4-9

5. M Keating, Quo Vadis; Challenges of the New Managerialism,
   RAIPA, Perth 12 April 1989

6. <u>Evidence</u>, p. S188-189

3. IMPLEMENTATION AND CO-ORDINATION

3.1 Chapter 2 outlined the broad areas of the FMIP strategy. This chapter considers the execution of that strategy and the associated co-ordination and management arrangements for the program.

3.2 Primary carriage for co-ordinating the FMIP strategy has rested with the DOF since the machinery of government changes in July 1987. Prior to that date, its role was shared with the former PSB.

3.3 The program is now in stage II of its development and implementation and the focus is on 'making the reforms work' at planning and operational levels in departments and agencies. Stage I, according to the *1988 FMIP Report*, was completed in 1988 with broad goals agreed for the program; with all budget dependent organisations on stream and with the foundations of good management in place.[1]

3.4 In addressing the adequacy of the overall approach in this chapter, the committee takes into consideration the evolutionary nature of the FMIP and its implementation since 1984 and the broader environment in which it has developed.

Development

3.5 FMIP development and implementation according to the DOF was founded on:

- the findings of the *1984 Diagnostic Study* which revealed that service wide improvements would be long-term and required commitment from the top down in organisations to ensure lasting results;

- a staged and steady paced approach to introducing changes and bringing departments on stream;

- developing the FMIP as a joint undertaking between central agencies (DOF & PSB) working in co-operation with departments and agencies; and

- linkage to the service-wide timetable for implementing the PMB initiative.[2]

3.6   Accordingly, priorities in the initial stage were:

. setting in place the structures, standards and practices that would foster good management and performance;

. bringing about changes in service-wide attitudes and cultures;

. increasing service-wide understanding and awareness of FMIP concepts; and

. seeding development of management skills.

3.7   Stage II of FMIP development commenced in 1989 and targets four areas of priority:

. further development of departmental management systems with particular emphasis on evaluation;

. a concerted push on performance information and enhanced accountability;

. performance incentives both at organisation and individual levels; and

. linkages between the FMIP managing-for-results regime and other areas of management (not traditionally within the sole purview of DOF's role) namely human resource and industrial relations strategies and social justice concerns in planning and delivery of programs.

3.8   The overall approach has required departments and agencies to accept responsibility for implementing the FMIP internally. It has also required DOF to spearhead changes to the budgetary/regulatory framework and with the former PSB to adopt the role of catalyst and facilitator in assisting departments; in disseminating information service-wide; and in developing workshops, seminars and education material.

Implementation

3.9   The Committee noted that, from the outset, the program received support from heads of departments as planned.[3]

3.10   There were, however, a number of 'teething' problems which could be sourced to:

- the title of the program which detracted from the comprehensive management philosophy and framework that FMIP espoused;

- the difficulty the program had in gaining credibility and commitment from line/program managers; and

- the program's introduction coinciding with an era of significant budget stringency in the public sector.

3.11   Specific problems identified by DOF included;

- the program was seen in the context of cutting expenditure and extracting savings as part of the government's fiscal policy objectives;

- it was too closely aligned as a financial and resource management initiative rather than one espousing a comprehensive management approach of which attention to costs was one key aspect;

- the FMIP was largely viewed as an initiative of central agencies, centrally driven and oriented towards corporate service and finance managers with limited relevance for program managers; and

- it was too much too soon given the range of other reforms impacting on managers including the extensive machinery of government changes in July 1987.[4]

3.12   According to DOF, the effect may well have been to prolong the 'awareness raising and formative' stage of FMIP development.[5] However, the discussion in subsequent chapters also supports DOF's view that the program has gained some momentum among program managers in recent times. Although some of the earlier perceptions persist, they are perhaps less significant in influencing the attitudes of program managers. Senior managers are gradually becoming familiar with basic FMIP concepts.

3.13   The DOF also conceded that insufficient early and consistent contact with the ANAO and Parliament contributed to misunderstanding over the risk management and accountability concepts. These concepts are central tenets of FMIP and quite fundamental in translating FMIP principles into the practice of good management and performance.

3.14   The Committee noted that efforts have been made to overcome earlier difficulties but that these are far from being resolved. The discussion in Chapters 2 and 8 indicates that there continues to be uncertainty and confusion over the risk and accountability dimensions and managers understanding of their role and responsibilities.

3.15   The Committee was also aware that Senate Estimate Committees have signalled the need for a concentrated push on the development of meaningful performance information. The DOF admitted that while the pace of development may have been 'a bit slow' in relation to this and management information systems initially, these areas have ranked priority attention since 1989.[6]

3.16   Some organisations also indicated that development of FMIP was retarded by lack of recognition of the costs and resources needed to implement the FMIP especially when it was first introduced into departments.[7] It was suggested that funds might have been provided to support initial implementation as had occurred in Canada in relation to its evaluation reforms. The DOF noted that 'it was probably the era of the most budget stringency ..... and not the time when additional resources were going to be made available for such an initiative ....'.[8]

3.17   Other criticisms also surfaced during the inquiry. Two of these are extended aspects of issues already discussed namely:

.   the DOF has taken a largely theoretical approach to the development of FMIP.[9]; and

.   the FMIP is still in its formative stages after six years.[10]

3.18   It is worth noting, however, that these issues reflect other considerations:

.   the need for a longer gestation period to provide restructured portfolios with sufficient time to adjust to new organisational and program structures following the July 1987 machinery of government changes; and

.   the renewed emphasis on implementation since 1989.

3.19   A third issue is linked to the 'managing for results' system of FMIP. It was noted that the structural components of such a system had been identified but work had stopped short of clarifying what constitutes 'a result' in public policy terms under the 'managing for results' philosophy. The discussion in Chapters 2 and 7 suggests that FMIP implementation would have benefited from some early clarification by central agencies of this very complex issue.

3.20   Other comments reflected views that:

- FMIP concepts have not been adequately communicated to staff at lower and regional levels in departments; and

- the FMIP strategy does not take sufficient account of the human dimension issues relating to staff and clients.

3.21   The DOF noted the effort and resources it has devoted to seminars/workshops for administrative and regional staff. It also suggested that these issues are being taken fully into account in stage II of FMIP development.

3.22   Subsequent chapters in this report consider further the issues commented on in this chapter. However, while central agencies have a role in FMIP development and implementation, departments and agencies are themselves the key to improved performance in this regard. There is often insufficient sharing and devolution of concepts, language and approach between line and program managers, financial specialists and lower levels within organisations. This communication flow is a critical element of successful FMIP devolution and implementation in departments and agencies and one that can only be fostered by organisations themselves.

Conclusion

3.23   FMIP development and implementation has, on the whole been appropriate to date although some weaknesses in execution and implementation of the FMIP strategy persist.

3.24   The main difficulties reflect some underdevelopment in important aspects of FMIP including the accountability and risk management dimensions which have yet to be adequately addressed.

3.25 There is no doubt that the formative stage of the program has extended beyond that initially expected. There continues to be a need to maintain the momentum for a commitment to reform. However, it is important that a practical focus accompanied by examples of successful implementation and deep rooted practice becomes the basis of Stage II FMIP development.

Co-ordination and Management

3.26 In general the management and co-ordination arrangements for the program were commented on favourably. They have largely corresponded to the staged development of FMIP. Two committees assisted in the running of FMIP between 1984-88.

3.27 The high level *FMIP Steering Committee* comprising central agencies and pilot FMIP and PMB departments set strategic direction for the program and monitored the progress of FMIP across the service. The Committee's work was substantially completed by June 1989 and it was disbanded.

3.28 The *Interdepartmental Advisory and Development Committee* (IADC) was '... a forum ... for discussion, communication of experience and independent advice on the overall Program in support of individual agency activities'.[11] In the second half of 1988, the IADC was restructured to provide ready access to relevant departmental experience, expertise and feedback on the implementation of the FMIP reflecting the greater emphasis on practical issues.[12]

3.29 Several departments commented on the usefulness of these committees in facilitating FMIP implementation.

3.30 There was little comment from departments and agencies on the loss of involvement of PSB from June 1987. The DOF advised that this had the effect of devolving management improvement activities which reflected the view that managing for results was very much the responsibility of individual departments and agencies, and, as found in the *1986 FMIP Report*, implementation of that responsibility was underway across the Service.[13]

3.31 The 1988 IADC has since been replaced in December 1989 with the Management Improvement Advisory Committee (MIAC) which reports to the Australian Public Service Management Advisory Board (MAB). MIAC membership has also been broadened to include the PSC and DIR. Both these developments reflect the importance of:

> (a) gaining the full benefit of reforms by integrating FMIP with other areas of management, human resources and industrial relations; and

(b) a more practical orientation to FMIP implementation through the development of 'best practice' examples as part of the MIAC's overall priorities.

Conclusion

3.32   The decisions to disband the FMIP Steering Committee, to establish the new Management Improvement Advisory Committee and for that Committee to report to the Australian Public Service Management Advisory Board seem appropriate.

3.33   These new reporting arrangements are essential to the successful implementation of the program. They reflect general acceptance that while DOF has particular responsibility for co-ordinating FMIP, the full benefits of the government's reforms require broader involvement in FMIP oversight and direction.

Assistance from Central Agencies

3.34   There was a varied reaction from departments and agencies to this issue.

3.35   Several departments were satisfied with the assistance they had received from DOF in implementing the program.[14]

3.36   DOF mentioned that its assistance has included some hundreds of seminars and workshops, educational materials, a consultative service to assist in development of management information systems and direct assistance on a number of projects in departments. It also indicated that an important criterion for deciding on involvement in projects was the extent to which a demonstration effect for other agencies was possible.[15]

3.37   A number of agencies, however, expressed concern over the fragmentation of DOF assistance; inconsistency in advice from different sources within DOF; lack of development of 'best practice' and case studies; limited practical guidance in training and educational materials; and delays in providing adequate guidelines eg new Financial Statements and the 1989-90 Explanatory Notes format.[16]   The DOF has indicated that any earlier weaknesses have been overcome.

3.38   Several agencies agreed that training assistance needed
to extend beyond FMIP principles to practical guidance and the
management skills required to operate within an FMIP environment.
Given the importance placed by all participants in the inquiry
on training and development of management skills in relation to
user charging, devolution and evaluation, this issue is taken up
in relevant chapters and considered in more detail in Chapter 9.
The nature of assistance available from DOF is pursued further
in the context of service-wide developments and the efforts of
individual agencies.

Conclusion

3.39   Staff   training   and   development   of   appropriate
management skills for an FMIP environment have become key
concerns for departments and agencies. In that context a number
of agencies felt that DOF did not appear to be in a position to
provide more than broad based advice and assistance.

ENDNOTES

1. *1988 FMIP Report,* p.83

2. <u>Evidence,</u> p.13

3. <u>Evidence,</u> p.4-9

4. <u>Evidence,</u> pp.4-9

5. <u>Evidence,</u> p.4-9

6. <u>Evidence,</u> p.13

7. <u>Evidence,</u> p.132, S104, S160

8. <u>Evidence,</u> p.422

9. <u>Evidence,</u> p.132

10. <u>Evidence,</u> p.254

11. <u>Evidence,</u> p.S279

12. <u>Evidence,</u> p.S279

13. <u>Evidence,</u> p.S250

14. <u>Evidence,</u> pp.56, 82, 98, 286, 334, 380, 395

15. <u>Evidence,</u> p.255-259

16. <u>Evidence,</u> pp.157, 199, 232, and S69, S106

4. RUNNING COSTS SYSTEM

4.1   This Chapter addresses the effect of the Running Costs System (RCS) on resource management within departments and agencies.

4.2   The *1988 FMIP Report*[1] states that under the RCS 'both incentives and opportunities for agencies to deploy resources more efficiently and effectively have increased'.

4.3   In considering this and related aspects, the inquiry addresses in this chapter general issues of importance that relate to the rationale for the system, the way it is perceived by departments, unions and client groups and service-wide implementation.

Rationale

4.4   The RCS as noted in Chapter 2, is fundamental to the government's budgetary control framework.

4.5   Therefore, as with other changes to the framework, its rationale stems from long-standing pressures to reform the management of government business and to set in place a better *framework and incentives that improve public sector efficiency* and effectiveness and streamline budget formulation.

4.6   In evidence to the Committee, the DOF stated that while administrative costs of departments constitute only 10% of Commonwealth outlays, in the past central agencies maintained control over most aspects of departments' operations by detailed appropriation and control of administrative inputs in association with staff controls.[2] This was one of the major areas of change called for in the 1984 FMIP Diagnostic Study and the white papers on administrative and budgetary reform (1984).

4.7   An important aspect of government reform therefore was establishing a system that not only focussed central control on aggregate resource levels but also increased at the departmental and agency level:

      .   certainty about medium-term funding;

      .   flexibility and autonomy to adjust resources to changing priorities;

31

.   acceptance of responsibility by managers to
        achieve administrative improvements and manage
        within an agreed resource base; and

.   incentives to maximise performance.

4.8   Another important aspect was a requirement that public
sector managers as a matter of policy seek to make efficiency
gains and to contribute to productivity improvements in the
economy to the same extent as the private sector. Annual
productivity targets vary for large private firms. However, it
has been generally accepted that productivity improvement in the
economy has been generating at an average of 1.5% per annum for
some time. The government believed it had the prerogative to
determine how efficiency gains from the public sector would be
utilised - to lower government expenditure or support new
programs and higher priorities.

4.9   To be responsive to this aspect of policy, individual
departments and agencies were expected to share with the central
budget some of the efficiency and productivity gains resulting
from technological change and new management flexibilities. Such
an approach was seen to be consistent with trends in some States
and overseas countries to introduce an across-the-board
requirement for efficiency returns to the central budget.

4.10   The key features of the RCS therefore provide
departments and agencies with the capacity to:

.   substitute between salaries, administrative and
        operating expenses within one cash limited
        appropriation;

.   carryover unspent funds or borrow against next
        year's appropriation of up to 2% of the total
        running cost appropriation (3% from July 1990);

.   seek adjustment to their given resource base
        where national wage case, new policy or mandate
        and associated workload changes exceeded certain
        threshold limits;

.   relax staffing controls and rely more on
        financial measures;

.   include minor capital items under $250,000; and

- realise efficiency and productivity gains of which a minimum efficiency dividend totally 3.75 over 3 years would be returned to the Commonwealth budget.

The new arrangements have been in place since 1987-88 with some refinement in 1988-89.

4.11   The Committee felt it should also not lose sight of the broader range of flexibilities available to departments from the total FMIP package of budgetary and regulatory changes. The RCS and revenue sharing agreements from user charging (See Chapter 5) and sale of unproductive assets provide departments and agencies with increased scope to make better use of the pool of resources available to them.

The System as a Whole

4.12   From the evidence presented to the inquiry it was apparent that there was overwhelming support for the greater autonomy and flexibility provided by the RCS. Opinion can be summarised by DILGEA's statement: 'If anything, the Department has regarded the reforms as too slow in coming ....'.[3]

4.13   Departments and agencies' applauded the scope for innovative practices and better timed decision making. The carryover and borrowing provisions were seen to reduce pressures and incentives for end-of-year spend ups. There was some indication that departments were less inclined to use unspent funds at end-of-year on lower priorities where delays had prevented planned services being set fully in place.[4] However, it appears that end-of-year spend ups continue to be a feature of many departmental and agency operations. The Committee considers that the implementation of appropriate devolution processes within departments and agencies should provide both the discipline and incentive for a substantial decline of this practice.

4.14   In an address to a seminar on the role of the Australian Public Service in the 1990's, the Secretary of the Department of Finance confirmed that end-of-year spends still occurred in regional offices and the option to carryover unspent funds often had not been devolved within departments to program managers. There is a need for a continuing effort in this regard.

4.15   Some agencies have not availed themselves fully of the carryover provisions under the RCS.[5] Other agencies have, however, made full use of the flexibilities available including:

- the borrowing provision to finance staff adjustment and early retirement programs; and

- specific staffing formulas with inbuilt productivity measures.

4.16   Those agencies that showed some evidence of having made progress in establishing priority setting, program management and devolution processes seemed to use the RCS to better effect.

4.17   The Committee also recognised that while the Running Cost System was geared to provide sufficient resources in aggregate to enable each organisation to carryout its responsibilities, it was not linked specifically to departmental outputs as a whole or in specific program areas. The *1988 FMIP Report* noted 'that the linking of resource allocation decisions within agencies to results remains a major challenge'.[6] Substantial progress needs to be made in this area to assist in improving resource management practice within departments and agencies.

4.18   The Committee was told by DOF that one of the practical benefits of the RCS, was that it now devoted twice as much time as in the past in the budget cycle to consideration of program expenditure which represented 90% of Commonwealth outlays. The department also indicated that arbitrary and ad hoc cuts in resources have largely been avoided and running costs have been 'quarantined' in the annual budget context from savings required to meet portfolio targets.[7]

Conclusion

4.19   The RCS has contributed generally to improving resource management in the public service and to devolving central control over administrative inputs to departments.

4.20   Nevertheless there continues to be considerable scope for improving implementation within individual organisations. Consistent and significant effort is required in linking resource allocation decisions to program outputs and outcomes, embedding devolution and effectively utilising management systems.

4.21   **The Committee recommends that departments:**

- **accord high priority to internal devolution of the running costs system including to regional offices; and**

- **increase their efforts in identifying the results to be achieved with given resources and in linking resource allocation decisions to those results.**

Efficiency Dividend

4.22   There was less support, however, among departments, unions and client groups for the 'efficiency dividend' requirement as part of the RCS.

4.23   The AAO stated that 'The efficiency dividends are seen to be somewhat arbitrary in their application and appear to be just a new name for the old across-the-board cuts'.[8] The DCSH and CSIRO also shared this view.[9] The PSU noted that 'It seems very strange, as you devolve and seek to give people initiative to improve financial management, that you should also impose over the top an arbitrary cut'.[10]

4.24   The DOF acknowledged that perceptions of the 'efficiency dividend' may reflect broader pressures within individual organisations arising from the need to absorb new initiatives eg FMIP or from experiences with specific service-wide efficiency scrutinies such as the travel scrutiny. Some organisations may have questioned whether they had achieved the expected travel savings that had been removed from their Forward Estimates and therefore questioned whether the further application of 'the efficiency dividend' was fair to managers.[11]

4.25   However, DOF also drew attention to the incentives departments now had under the RCS to maximise performance, indicating that government policy required the Public Service to generate on-going administrative efficiencies. As noted earlier, the government has the prerogative to decide on distribution of these efficiency gains.[12] Underlying that policy has been the perception that the efficiency dividend disciplined managers to achieve administrative efficiencies within an agreed cash limited resource base. Within this policy, departments were free to initiate whatever internal efficiencies or improvements they chose to reduce their running costs.

4.26   The Committee was also told of difficulties in implementation.

4.27   DILGEA stated 'What we do .... is we just take it across the board and it is up to people or organisations to put up a case as to whether their operations have been impeded by that'.[13]

4.28   Defence indicated that its difficulty lay in applying an efficiency dividend focused on civilian manpower, to most of Defence's administrative expenses which were largely in support of the ongoing operation of the Defence Force.[14] Defence noted however, that these difficulties had been overcome as a result of '... an agreement with Finance and the Government that the efficiency dividend would be regarded as comprehended in the overall global guidance that they gave Defence ...'.[15]

4.29   The PSU suggested that the efficiency dividend meant there was more central financial control and less managerial autonomy.[16]

4.30   Both ACS[17] and the PSU[18] told the Committee that there was difficulty in convincing staff and staff associations that an efficiency dividend should apply even though staff workload was increasing. The RSL indicated that it believed striving to achieve the efficiency dividend might have a negative impact on the quality of client services.[19]

4.31   The DOF told the Committee that provision had been made for full or partial exemptions from the efficiency dividend where agencies had been subject to recent comprehensive formal review or where application of the dividend would result in an unacceptable reduction in quality of service.[20]

4.32   The DOF also suggested that departments and groups needed to appreciate that the efficiency dividend had removed in practice the need for the DOF to determine detailed savings resulting from improvements in administrative procedures. It had also reduced in practice the extent of DOF's intervention in departments and had avoided ad hoc cuts in resources.[21]

4.33   The future of the efficiency dividend was considered in July this year. The government reaffirmed the public sector's obligation to achieve productivity gains by deciding to continue with the present efficiency dividend policy for the next 3 year Forward Estimates period with the rate of dividend to be reviewed in 1993/94. That decision also increased the carryover and borrowing flexibility from 2% to 3%.

4.34   However, many agencies expressed concern over the difficulties of continuing to achieve the efficiency dividend savings. These concerns may abate as management systems and skills are developed effectively to the point where departments and agencies are better able to take full advantage of technological change and the range of flexibilities that are available through the RCS and revenue retention agreements.

Conclusion

4.35   Although the RCS has widespread support, most departments and agencies have found the discipline of achieving the efficiency dividend difficult. The 'dividend' appears to be perceived as a disincentive to good performance and hence appears to run counter to the objective of the RCS.

4.36   However, it is difficult to establish a case that the great majority of departments/agencies are disadvantaged in being required to achieve the 'efficiency dividend' given the scope for utilising new managerial flexibilities and technology.

4.37   The Committee is of the view that the comments made by departments and various groups in part reflect other factors namely:

- past sensitive experiences with specific service-wide efficiency scrutinies;

- lack of recognition by DOF of the sensitivities associated with the 'efficiency dividend' and a corresponding lack of effort in marketing the policy more effectively; and

- the need to improve implementation within organisations.

4.38   Notwithstanding, it is very important that the DOF continues to take careful account of the merits of exceptional cases in administrating the scope for relief and flexibility within the 'efficiency dividend'.

Recommendation

4.39   **The Committee recommends that the DOF**

- take steps to improve its marketing of 'the efficiency dividend' policy to public service organisations; and

- continue to take careful account of the merits of exceptional cases in applying the 'efficiency dividend' policy.

Resource Agreements

4.40   The issue of performance contracts (or resource agreements) was also raised with the Committee by ATO[22] and is referred to again in Chapter 6. The 1988 FMIP Report[23] states 'that the efficacy of resource (performance) agreements is being considered particularly in relation to running cost arrangements similar to those being developed in Canada, the UK and Sweden'.

4.41   Such agreements establish the links between inputs, outputs and outcomes for programs and services more explicity so that achievements such as increased efficiencies and improved program delivery can be assessed. Appropriate criteria need to be identified together with the accountability, reporting and evaluation mechanisms to be used in each agreement. In addition, the antonomy of managers and overall budgetary flexibility has to be taken account of.

4.42   ADP acquisition agreements, Section 35 revenue retention agreements and staffing formulas with inbuilt productivity measures are areas where types of resource agreements are already in use as part of the overall budgetary framework. However, the Committee noted that these agreements focus on activities and outputs with the links between inputs and outcomes still relatively undeveloped.

4.43   The Committee recognises that 'resource agreements' can ultimately produce a more finely tuned picture of the productivity gains agencies should pursue as a whole or for specific areas. It noted that work was proceeding under the guidance of MIAC on the present use of 'resource agreements' and the extension of that use in the context of FMIP.

4.44   There could well be scope for extending the use of resource agreements within the present running cost and efficiency dividend arrangements in such a way that more specific agreement could be reached with departments on productivity gains providing these equaled or exceeded the current efficiency dividend requirement.

4.45   However, given the slow and uneven rate of development by departments of reliable performance information, there has to be some question about the extent to which satisfactory progress can be made quickly in developing and negotiating appropriate and accepted measures of agency performance.

Conclusion

4.46   The Committee is of the view that a move towards wider
use of 'resource agreements' would:

- have to be gradual and considered;

- have regard to the availability of reliable,
  satisfactory and accepted measures which reflect
  the different responsibilities of agencies; and

- meet the overall requirement of the efficiency
  dividend policy and maintaining some budgetary
  flexibility and inbuilt control.

ENDNOTES

1. *1988 FMIP Report*, p8

2. Keating and Holmes, 1989, p.9

3. Evidence, p.S34

4. Evidence, pp.30, 231, 293

5. Evidence, p.30

6. *1988 FMIP Report*, p.10

7. Evidence, pp.S260-261

8. Evidence, p.S76

9. Evidence, pp.169 and S190 respectively

10. Evidence, p.277

11. Evidence, p.30

12. Evidence, p.30

13. Evidence, p.66

14. Evidence, pp.187-188

15. Evidence, p.188

16. Evidence, p.S217

17. Evidence, p.100

18. Evidence, p.S217

19. Evidence, pp.267 and S2, S5

20. Evidence, p.S260

21. Evidence, pp.S260 - 201

22. Evidence, p.S58

23. *1988 FMIP Report*,p.89

5. USER CHARGING

5.1   In July 1987, the government adopted a policy of progressively introducing charges for a variety of goods and services provided by government departments and agencies which were previously freely available.

5.2   These commercial reforms include but also extend beyond the FMIP.

5.3   The changes are directed at charging for services between departments and charging external users of government services. The policy is aimed at improving the efficiency and economy of public sector resource use with corresponding gains to the public purse, providers of services and to users.

5.4   This chapter explores a number of issues of general importance to the introduction of user charging in the budget dependent sector of the public service. These issues are illustrated in respect of 3 agencies at various stages of implementing charging namely;

- the Transport and Storage Group (TSG) within DAS which is a quasi-commercial group and one of the first areas to adopt charging for its services;

- the Australian Property Group (APG) within DAS which became a quasi-commercial operation in 1988 with fees now charged for all services and the Commonwealth's real property assets placed progressively on a commercial footing; and

- the Attorney-General's Department (AG's) which is considering charging in relation to legal services, although that department has indicated that neither the Attorney-General, nor the Attorney-General's Department has an unqualified commitment to user pay.[1]

The Committee has also looked at the Defence Science Technology Organisation within the Department of Defence as an example of a research organisation involved in commercialising its inventions.

Principles

5.5   The philosophy underlying charging is the user pays principle whereby users are expected to bear all or at least a proportion of the resource cost of an activity rather than the central budget and thus identify under or overservicing of government activities.

5.6   The move to increased interdepartmental charging has the potential to improve management flexibility and efficiency by making managers and users of public services more aware of the cost of public activities thereby removing any tendency towards a 'free good' approach to use of services.

5.7   In relation to 'common services' such as accommodation and property, user charging effectively places control of appropriations and the decision on servicing levels with the users and not the suppliers. The expectation is that it will provide both groups with greater incentive to use resources efficiently providing users can vary their level of demand for services.

5.8   To facilitate this, Finance Direction 29 has been revised to make interdepartmental charging the norm rather than the exception. The policy recognises occasions where charging is not deemed appropriate eg in the public interest and in cases where the costs involved in introducing charging exceed the resource allocation benefits expected to occur.

5.9   Most common services ie those used by all departments such as accommodation and property, transport etc were consolidated under the DAS in the July 1987 machinery of government changes.

5.10   Since that time DAS and the DOF have worked closely together to resolve a range of issues including:

- choice of alternative suppliers;

- determination of the appropriate rate of charge;

- arrangements for budget supplementation for users;

- income retention mechanisms for suppliers; and

- transitional arrangements where the provision of common services is opened up to competition from the private sector.

These and associated issues are addressed in the following sections. These issues are pertinent to varying extent for all departments introducing user charging for services.

Revenue Retention

5.11   An important aspect of interdepartmental and external charging for services is some form of revenue retention for suppliers of goods and services.

5.12   Income (revenue) retention is a method of funding an activity other than through the normal annual appropriation system. It gives the supplier more flexibility to respond to changes in demand during the financial year and provides an incentive to levy and collect charges.

5.13   Several mechanisms exist within the framework of the Audit Act to allow suppliers to retain income from service receipts. A working account under Group 2 Trust Account provisions of the Audit Act is appropriate in certain circumstances, where retention of service receipts is related to a commercial activity consistent with the agency's charter. A Group 2 Trust Account is regulated outside of the agency's appropriation.

5.14   Generally this arrangement is used for relatively large-scale quasi-commercial operations such as the bulk of DAS activities and for DSTO's commercial work.

5.15   The alternative, used by most departments, is to allow receipts for services to be credited against an (annotated) appropriation head under Section 35 of the Audit Act. Such receipts are thereby deemed to be appropriated under the Audit Act and are available for expenditure under Section 33B. Agencies are entitled, however, to retain only their direct costs. Proceeds from accrued costs (eg superannuation) are returned to the Consolidated Revenue Fund (CRF).

5.16   DAS commented that 'the wider use of Section 35 arrangements for revenue retention by programs has been a step forward in budgetary arrangements ... allows greater flexibility ... and provides added incentive for management efficiency and increased revenue'.[2]

5.17   To avoid a profileration of inappropriate charging in the first year of user charging, the Minister for Finance set a limit for 1989-90 on the revenue generated of 0.5% of the running costs appropriation except where a larger threshold was agreed.

However, the Committee understands that from the current financial year, there is no 'a priori' limit on the maximum amount which may be retained in any one year by a particular agency. Retention levels are determined on a case by case basis between agencies and the DOF. Revenue retention agreements may include arrangements for the sharing of new revenue where agencies record amounts which are in excess of the costs directly borne by them. Such arrangements are in place for the ABS and CSIRO.[3]

5.18   In general, departments and agencies offered little comment on 'revenue retention' issues. DAS, however, made the following point 'the budgetary framework permits retention of funds ... but defines usage of these retained earnings as budget outlays and imposes tight constraints on usage of funds'.[4]

5.19   DAS also expressed the view that both it and the DOF had to undergo a major learning experience in developing user charging policy and adapting the budgetary framework to accommodate charging. 'While progress has been made, currently negotiated arrangements are not in all cases satisfactory'.[5]

Conclusion

5.20   The Committee notes DAS's view that not all current arrangements are satisfactory. It is important for DOF and departments to be monitoring current arrangements to provide a basis for reviewing and adjusting charging policy and implementation. There may be scope for further refinements to financial controls as departments gain experience. However, that development should not be justified only on the grounds of increasing organisational flexibility and incentives but should be matched by a record of effective organisational performance and accountability to Parliament.

Determination of the Appropriate Charge

5.21   The DOF[6] noted that there are two separate but linked issues to be considered in determining an appropriate charge for services – one is the costing of government activities and the other is the pricing policy to be adopted.

5.22   The present costing guidelines require agencies to identify:

- all direct costs eg salaries, materials, etc;

- an estimate of indirect costs eg accommodation, the government's contribution to superannuation;

- the consumption of assets in the production process ie depreciation; and

- the opportunity cost of capital.

5.23   In regard to pricing policy, departments are required to aim for full-cost recovery though it is recognised that this might not be possible or even preferable in some cases. A variety of approaches may therefore apply depending on circumstances ranging from use of market rates, full cost pricing (or a close approximation) if there are no comparable market rates or marginal cost pricing if that is appropriate.

5.24   The DAS indicated that it operates under a variety of charging regimes, the basis of which have been determined by government. For example, the TSG is on full cost recovery; the cost of all property services provided by APG are charged to users at market rates; and the Overseas Property Group (OPG) makes at present no charge for services to fully budget-funded agencies. These arrangements reflect the nature of the service and whether it is supplied to client departments under 'tied' or 'untied' ie more competitive conditions.

5.25   It is crucial for departments to have access to accurate and timely costing information in introducing charging.

5.26   DAS mentioned that it had shortcomings in all its management systems and had severe skills shortages in areas such as management accounting, cost accounting and marketing. It noted that in most cases DAS programs had to install new accounting systems, significantly overhaul existing services and are still in the process of selecting and installing new systems.[7]

5.27   AG's also noted inadequacies in its information system for legal services.[8]

Conclusion

5.28   The critical issue for departments in introducing charging is that they do not all have in place management information systems that can provide accurate costing information on services. The Committee accepts that departments won't necessarily have in place appropriate systems prior to the introduction of charging. The Committee would expect departments to have such systems in place as soon as possible after the introduction of charging.

Recommendation

5.29   **The Committee recommends that departments and agencies should have in place appropriate management information systems to provide accurate costing information either in conjunction with or as soon as possible after the introduction of charging.**

Budget Supplementation

5.30   One of the ways charging impacts on client departments is through the need for them to seek supplementation of their running costs and other appropriations to pay for service charges.

5.31   There is no transfer of appropriations or budget supplementation involved where a charge is introduced for a new service. However, where client departments are faced with a charge and a significant cost for a service which was previously freely available to them, they may be supplemented and the agency providing the service may receive less funding such that arrangements remain budget neutral.

5.32   Issues relating to budget supplementation revolve largely around the level of discretion departments have over their use of suppliers, the level and quality of service they can demand and what they are prepared to purchase and pay for. The greater the level of discretion, the more autonomy departments are presumed to exercise in using their resources. Therefore, if there is judged to be substantial scope for efficiency gains, some of these gains may be retained by the central budget and less than full supplementation is provided to user departments.

5.33   This can of course present a point of controversy between the DOF and departments. The Committee noted that for the present, the question of whether or not users should receive supplementation to maintain their current level of service usage is decided on a case by case basis between the Minister for Finance and the relevant portfolio ministers.

5.34   DAS indicated that in most cases 100% supplementation had been agreed for its client departments reflecting their inability to vary demand patterns for accommodation/property services in the short to medium term (eg lease agreements).

5.35   AG's also believes its clients should be fully supplemented for legal charges. Its negotiations with the DOF highlight the range of issues that can arise in relation to user charging and budget supplementation. Chief among these is the issue of determining users 'true' demand for a service in an economically efficient sense and related to that are such issues, according to AG's as:

- records of past service utilisation do not provide a sufficient basis for the calculation of supplementation so an equitable formula has to be devised;

- no guarantee can be given that departments will be provided with funds to cover legal expenses incurred;

- the DOF would propose to restrict funds if of the view that a client department was conducting itself in such a way as to provoke unnecessary litigation; and

- in the absence of user choice and in respect of services which the DOF considers should be open to user choice, the DOF will not undertake to provide full supplementation after the first 12 months of user-pay operation.[9]

5.36   According to AG's the DOF has indicated that 'while these restrictions are unlikely to be attractive to client departments ... the attraction ... of the prospect of having their allocations for general expenses increased by the addition of a legal expenses component which it will not be necessary to spend on legal expenses will overcome any antipathy'.[10]

5.37   AG's believes that this view is unlikely to be shared by staff associations covering the legal services group.

Conclusion

5.38   The Committee recognises the complexities involved in balancing all factors in each case. It supports the practice of case by case determination of budget supplementation. However, it would look to a regular review by DOF of the policy applied in this area so that agencies generally may have a better understanding of the overall basis for decisions.

Public Interest

5.39   User charging is generally considered inappropriate when goods and services are provided in the public interest ie where the public in general is deemed to be the direct beneficiary.

5.40   The significant proportion of services of most Commonwealth departments fall into this category where the central budget is expected to bear the cost rather than a specific user. The user charging criterion of direct supplier/client relationship that enables departments to take account of commercial objectives can generally not be established for such services.

5.41   While the bulk of DAS services are provided to client departments, a number of its activities have been deemed to have a public interest component and are therefore subsidised through the central budget. The full range of such services are listed in DAS's submission to the inquiry.[11] They include the Australian Archives, Bureau of Meteorology, revision mapping services and activities of ACS relating to advice to authorities on quality assurance, safety procedures, protection of the environment, conservation and heritage.

5.42   AG's indicated that it was still negotiating with DOF on the issue of public interest within its legal services. This included an estimate of the subsidy required to cover 'what it will carry, as a government legal service by way of overheads that it would not carry if it were simply a large private sector legal firm.[12]

5.43   The Committee understands that 'public interest' issues are addressed on a case by case basis by DOF and responsible departments.

5.44   The determination of the public interest component of government services includes identifying the activity, how it is to be funded and the basis for funding and reviewing resource levels. It also requires decision-makers to weigh up and balance commercial objectives, resource and service delivery efficiency, the effect on supply and demand for a service and the advantages and disadvantages to public users of a charge being levied for a service. This can be a sensitive and difficult process and may give rise to different view points.

5.45   The PSU indicated that full cost recovery and user pays are not appropriate for essential services or for services in which there is an element of public interest ... full cost recovery can mean that those who need a service simply cannot afford to buy it, or that community interest may not be serviced if the service is not available.[13]

5.46   The PSU cited examples of the application of full cost recovery in ABS, AGPS, DCS&H and AGAL which it suggested can give rise to a range of difficulties namely:

> . low income and other disadvantaged groups can lose access to services;

- public interest functions can conflict with commercial objectives; and

- the use of short-term financial indicators alone can lead to long-term financial losses through staff turnover.

5.47 *The PSU comments highlight the sensitivity of public interest issues.*

5.48 They also underline the importance of client feedback into departmental decision making processes and the need for departments to establish appropriate systems that provide timely and relevant information.

Conclusion

5.49 It is important that decision makers in determining 'public interest' issues, have regard not only to commercial and efficiency factors but also to enhancing elements of social justice (equity, equality and access) in programs which is a principle of FMIP. Such considerations obviously can differ widely in extent between departments. The Committee therefore supports case by case determination of 'public interest' elements of government programs and in so doing assumes that DOF in particular has accepted responsibility for consistency of the criteria applied.

Recommendation

5.50 **The Committee recommends that there should be a case by case determination of 'public interest' elements of government programs and that the DOF accept responsibilities for consistency of the criteria applied.**

User Chooses: Competition with the private sector

5.51 The DOF has indicated that full benefits of user charging reforms will not be achieved until government suppliers are open to competition from the private sector.[14] Indeed it might also be said that the full benefits cannot be achieved until government suppliers are free to compete with private sector organisations in the open market on a broadly equal basis.

5.52 At present, arrangements whereby government clients are 'tied' to government departments for goods and services are being reviewed and in some cases are being progressively dismantled. The TSG's long experience with charging should provide a good case study for development of policy in this area. For example,

departments are only tied to TSG for the provision of personal transport, freight and storage where security considerations apply or where specific entitlements exist.[15]

5.53   Obviously more competitive conditions present quasi-commercial operators in the public sector with major challenges which include such issues as:

- the extent to which a drop in demand for services can be expected and planned for ; and

- the degree to which government suppliers can compete with their private sector counterparts.

5.54   APG has noted that it expects to lose up to 30% of its business as departments try out their new freedoms but expects to win that custom back.[16]   It therefore has a powerful incentive to provide efficient services to retain its market share.

5.55   This of course is dependent on the extent to which common service suppliers will be allowed through the budgetary and regulatory framework to operate in a similar way to their private sector competitors ie face roughly similar business conditions, restraints and opportunities.

5.56   The Committee noted that some steps have already been taken in this direction through such measures as modification of trust account arrangements and removal of some public service controls on staffing.

5.57   DAS indicated that, within the framework determined by government, the main advantage to departments and agencies is that they do not pay taxes and duties. However, perceived constraints are said to include:

- superannuation contributions are higher than those in private sector;

- legislative constraints (for example, FOI and reporting requirements);

- constraints on use of retained earnings;

- tendering/contractual policies and procedures;

- public service recruitment and employment provisions and implications for motivation of staff;

- inability to withdraw from loss-making operations;

- inability to use financial assets; and

- externally imposed debt/equity ratio.[17]

5.58   The *1988 FMIP Report* also points out[18] that government
agencies will face some problems in ensuring an adequate supply
of capital for commercial development in a tight budgetary
environment.

5.59   This whole area of policy is a developing one where
departments, in particular DAS and DOF, will be undergoing a
major learning experience. The Committee notes that what
constitutes a 'reasonably level playing field' in terms of
removing both the constraints and advantages confronting
government suppliers is, at this stage, controversial according
to DOF.[19]

External Charging

5.60   The DOF advised that, to date, most effort has focussed
on resolving the principles of interdepartmental charging.
However, it expected similar principles to apply in relation to
charging external users, eg State governments, business firms and
private citizens for goods and services.

5.61   Some departments are already engaged in some external
charging activities; for example, the DSS stated that it is
charging the Victorian Government for services provided in
payment of education allowances[20] and DILGEA is charging the
public for many of its immigration services.[21]

5.62   DAS indicated that its ability to compete for business
outside the Commonwealth sector is constrained. However, the
Minister had recently agreed to a set of 'Guidelines for
Performance of Work by DAS Groups for Non-Commonwealth Clients'.
These covered work that is incidental to DAS's primary role of
servicing the Commonwealth; availability of alternative services;
application of full cost recovery; enhancement of DAS financial
viability and productivity and consultation with unions.[22]

5.63   AG's noted that in its case it does not have a
constitutional basis for taking on new clients from outside the
Commonwealth and to do so would be stretching incidental powers
and others to the limit.[23]

5.64   The DSTO, however, as a separate legal entity is able
to pursue commercial activities consistent with its amended
charter and objectives to contribute to Australia's overall
industrial capacity within the context of the Australian Defence
Force being DSTO's prime customer.[24]

5.65   The Committee noted that the potential financial
returns from private sector sales could be substantial from some
of DSTO's significant innovations such as the Jindalee
Over-the-Horizon Radar, the Laser Airborne Depth Sounder and a
marine dye marker. However, the Committee was told that 'there
had been considerable debate ... on the perceived constraints and
problems in trying to develop commercial activities within a
public sector framework and how this might impact on Defence
priorities for DSTO'.[25]

5.66   Australia's defence objectives and its scientific and
industrial development is dependent on the contribution of
research organisations such as the DSTO. It is therefore
important that the principles for external charging and the
associated revenue retention arrangements provide adequate
financial recognition and incentives to encourage DSTO and
similar research agencies to commercialise their innovations.

Conclusion

5.67   The Committee expects the DOF to take the factors
canvassed in the above section of this chapter into account in
the development of policy in external charging.

5.68   The Committee recognises that the formulation of policy
in relation to external charging and charging under competitive
conditions is a progressive matter and requires decisions on a
case by case basis.

Recommendation

5.69   **The Committee recommends that DOF give particular
attention to reviewing the revenue retention arrangements for
research organisations such as the Defence Science and Technology
Organisation to ensure that those organisations receive adequate
financial returns and incentive in commercialising their
innovations.**

Developing a Commercial Attitude and Culture

5.70   The introduction of user pays has required both service
providers and client departments to think and behave more
entrepreneurially. DAS indicated that its culture needed to
change to become more client oriented. This required a major

effort and investment in a large-scale cultural change process, improvement of management information systems and skills acquisition (including marketing, entrepreneurship, accrual accounting, customer service orientation) ...[26] New staff with specialist skills also had to be recruited.

5.71   AG's noted that (in the legal services group) 'the staff associations involved have not supported the user pay proposal, at least to the extent that it envisages fewer staff and consequential redundancies'.[27]

5.72   AG's also indicated that user charging represented a massive change for client departments which in the past had goods and services freely available and had no infrastructure and little incentive to vary their levels of demand for common services.

5.73   The Committee believes that the budget supplementation policy, pricing and transfer of DAS appropriations to client departments in respect of accommodation and property should provide users of services with incentives to behave entrepreneurially and seek best value for money.

Rewards and Incentives for Good Performance

5.74   As with the government's total reform strategy, the long-term success of user charging will in part depend on creating an environment that provides rewards and incentives for good performance.

5.75   DAS indicated that rewards and incentives similar to those in the private sector should be considered to retain the services of people who contribute to successful business performance in a more competitive environment.[28]

5.76   AG's have linked the introduction of user-pays to proposals for a new career and salary structure in the reform of its legal services.

5.77   As yet, however, a framework of incentives linked to performance has not been established under the FMIP. Thus far most emphasis has been placed on incentives for greater efficiency and cost savings at the organisational level such as:

.   the efficiency dividend;

.   revenue retention agreements;

.   use of receipts from sale of underutilised assets eg to offset new policy proposals; and

.   devolution to and within departments.

The public sector has made a start on introducing an individual
incentives system through performance pay for senior managers.
The possibility of some other form of individual incentives
scheme should not be discounted. However, provision of personal
rewards and incentives often available in outside organisations
require development of techniques for assessing effective
performance both at the organisational and individual levels. To
date that development has lagged in the public sector both in
relation to organisations and individuals.

Implementation

5.78   Interdepartmental charging is largely in place for the
bulk of common services within the budget dependent sector. DOF
noted that there remain 'common services' where charging might
be introduced including:

-        departments' audit fees which is tied in with the
         report of the Joint Committee of Public Accounts
         on the ANAO; and

-        superannuation   on-costs   where   individual
         departments pick up the costs rather than their
         being met centrally as is currently the case - a
         practice that is being introduced in some States.

5.79   Despite difficulties with introducing charging, service
providers generally see advantages in the reforms and encouraged
by 'revenue resource' agreements are activity seeking out
services suitable for charging.

5.80   However, the implementation stage has only just begun.
In developing and implementing user charging DAS found that:

-        commercialisation is worse in the anticipation
         than in the implementation;

-        good initial planning is essential which sets out
         clear   priorities,   targets,   resources   and
         timescale to develop and implement user charging;

-        the development of appropriate accounting and
         management information systems is crucial;

-        introducing cultural change quickly is important
         otherwise morale is affected and uncertainty sets
         in;

- the training effort is significant;

- training for commercial skills may be at the expense of training in operational skills.[29]; and

- there is duplication of reporting requirements between 'explanatory notes' and other statutory reporting requirements.[30]

5.81   DAS also noted that introduction of charging has led to a rationalisation of demand by clients resulting in a significant reduction in staffing levels to reduce direct costs and contain overheads.[31]

5.82   DAS and DILGEA[32] indicated that user charging results in a better allocation of resources within the organisation which can yield efficiency gains and budget offsets. In DAS's case the Minister for Administrative Services noted in December 1989 that the reforms to date have realised a reduction of about 2,400 staff (30%) and this and other reductions in overheads have resulted in on-going savings of $100 m per annum.

5.83   There was also some indication that departments are encouraging charging within their organisations between program and corporate service areas (ie intradepartmental charging). The Committee did not investigate this emerging practice. However, it is important that such charging has demonstrated benefits in resource use within the organisation and is appropriately controlled.

5.84   It should be noted that, since the evidence to the inquiry was mainly from departments who levied charges rather than clients who had to meet them, the Committee was unable to form a balanced view of the extent to which user charging had impacted favourably or adversely on service delivery. For example, the Committee was unable to determine whether client satisfaction with DAS services has risen, indicating that the quality of DAS outputs had probably improved. It is however, examining this aspect in relation to its Review of the Auditor-General's Reports No. 15 and 16, 1989-90 and particularly the role of DAS in the fit out of leased premises.

Conclusions

5.85   The Committee notes that user charging is continuing to develop and departments are actively seeking out services amendable to charging including intradepartmental services. It would want to ensure that contributions from client departments and clients outside the Commonwealth service are taken into account in any future inquiries into specific aspects of financial management. It also sees a need to avoid duplication of reporting requirements to Parliament.

5.86   The Committee indicates its continuing interest in the user charging area and its intention to monitor the effect on clients of user charging in future relevant inquiries.
The Committee wishes to be informed of policy and associated developments in relation to:

. revenue retention;

. budget supplementation;

. 'public interest' issues;

. external charging;

. charging under competitive conditions (ie choice of suppliers by client departments);

. developing a commercial attitude and culture; and

. incentives for good performance.

5.87   In the light of the information received, it is the intention of the Committee to consider whether or not a review by the Committee of these areas of policy and their application should be subject to further reference.

Recommendations

5.88   **The Committee recommends that DOF should review reporting requirements in relation to user charging under Explanatory Notes and other statutory reporting requirements with a view to resolving any unnecessary duplication.**

5.89   **The Committee asks to be informed of the present policies applied by DOF in the following areas:**

. revenue retention;

. budget supplementation;

. 'public interest' issues;

. external charging;

. charging under competitive conditions; and

. incentives for good performance.

This information is to be made available shortly after the end of each financial year between now and the end of the 1992/93 financial year.

ENDNOTES

1. _Evidence_, p.S239

2. _Evidence_, p.S167

3. _1988 FMIP Report_, p.13

4. _Evidence_, p.S167

5. _Evidence_, p.S166

6. _1988 FMIP Report_, p.6

7. _Evidence_, p.S166-167

8. _Evidence_, p.S240

9. _Evidence_, p. S240

10. _Evidence_, p S240

11. _Evidence_, pp.S167-170

12. _Evidence_, pp.365-366

13. _Evidence_, p.S218

14. _1988 FMIP Report_, p.12

15. Details on DAS's tied arrangements are provided at
    Evidence, p.S172-S174

16. _Evidence_, p.332

17. _Evidence_, p.S175

18. _1988 FMIP Report_,p.73

19. _Evidence_, pp.30-39

20. _Evidence_, p.205

21. _Evidence_, p.71

22. _Evidence_, S174 and S184

23. _Evidence_, p.364

24. DSTO, 1989, p.43

25. DSTO, 1989, p.43

26. _Evidence_, p.S165

27. <u>Evidence</u>, p.S239

28. <u>Evidence</u>, pp.S69-S70

29. <u>Evidence</u>, pp.335-336, 357

30. <u>Evidence</u>, p.S166

31. <u>Evidence</u>, p.S165

32. <u>Evidence</u>, p.S40

6. DEVOLUTION

6.1   As noted in Chapter 2, a fundamental thrust of the FMIP reforms has been to implant a management approach that provides public sector managers with greater scope in responding to government priorities. The theme of 'letting the managers manage' was advocated by the Review of Commonwealth Administration (1983).

6.2   Since 1983, one of the key developments has been a steady push towards devolution of control at 2 levels – from central agencies to operating departments and agencies and down through various levels of organisational management.

6.3   That development has sought to increase the authority, responsibility and accountability of managers directly involved in the planning and delivery of services.

6.4   This has meant:

   .   a paring away of detailed controls, structures and practices embedded in the public system that supported unnecessary central agency intrusion and that hampered communication and performance within organisations;

   –   *letting the managers manage;*

   .   setting in place the incentives and framework that enable managers to use a cash limited set of administrative resources and control the *processes needed to achieve and evaluate results* consistent with organisational and government objectives;

   –   *making the managers manage.*

6.5   Three chapters in this report consider issues of relevance to devolution. This chapter looks at what devolution entails, the extent to which it has occurred and has improved decision-making, resource allocation and management in departments and agencies. Chapter 7 comments on performance information and reporting requirements on which devolution is dependent. Chapter 8 discusses enhanced responsibility and accountability for performance in the context of relationships that determine Commonwealth public sector accountability.

What is Devolution?

6.6   It is generally accepted that devolution relates to the distribution and delegation of power and authority. The aim is to give individual managers greater scope to achieve the policy outcomes sought by each organisation and the government overall while retaining cohesion, consistency and a corporate focus.

6.7   What is generally less acknowledged is that devolution also requires appropriate reporting and accountability by managers on the use of power and authority and the imposition of rewards and sanctions according to the outcome. Chapter 8 addresses relevant issues.

6.8   The push towards devolution in the public sector reflects trends in the management of large private sector enterprises over the last 2 decades. These have been strongly in the direction of greater devolution and decentralisation to reduce the size of central administration and levels of management, lower central overheads and improve flexibility.

6.9   In many respects, the public sector is and needs to be inherently more centralised than the private sector. This reflects of course the nature of the political system, the structure of accountability inherent in that system and the complex and interrelated nature of government business referred to in Chapter 2. The critical issue in removing central controls is finding the level of managerial autonomy that is consistent with both individual and Ministerial accountability and the minimum requirements for centralised information and decision making.

6.10   The reforms have never intended that government should devolve its collective responsibility for determining overall policy direction and priorities, the level and composition of government spending and aggregate expenditure control. Changes to major programs that affect government priorities need to be considered collectively by Ministers and subsequently by Parliament.

6.11   Nor is it intended that organisations devolve their central responsibility for articulating corporate and program direction and priorities, for associated resource distribution, maintenance of national policy consistency and reviewing of organisational performance.

6.12   Nonetheless, devolution is seen by its managerial advocates to hold out the prospect of:

  •   more responsive and effective services through closer interaction with staff and clients;

- improvement in the allocation and efficient use of administrative resources; and

- better productivity through greater sharing of and contribution to corporate objectives by staff in an organisation.

Devolution, where it enhances service delivery, is also supported by the PSU.[1]

6.13   A senior manager with the ACS has categorised devolution in the public sector in 3 ways namely devolution of function, corporate services and control and financial autonomy[2]. According to another department, devolution is 'the placement of power to make decisions on strategies, priorities and resource allocation, together with its concomitant responsibility and accountability, at the level of organisation and the level within organisational units which lead to the most cost-effective decision.[3]

6.14   The Committee is inclined to this broader perspective but recognises that there is no one model of devolution. Departments need to move in different ways on devolution processes reflecting their particular responsibilities, reporting relationships to their Minister and legislative requirements, culture and personnel. However, what is important is information exchange and promulgation of 'best practice' on the experiences of individual organisations.

Decentralisation

6.15   As noted earlier, the private sector trend has encompassed both devolution and decentralisation. Devolution and decentralisation are somewhat different. Departments with a significant service delivery responsibility may elect to decentralise their administration by transferring from central to local control specified functions and service delivery arrangements so as to move services and associated networks closer to clients in the community. Decentralisation may also be accompanied by a distribution of power, responsibility and resources (ie devolution) to enable regional or local managers to exercise the full policy implementation and operational role of the agency or department subject only to any limitations placed on the exercise of delegation and the setting of overall policy and priorities. This chapter, however, is not concerned with decentralisation and therefore offers no comment on individual agency performance in this regard.

Devolution from Central Agencies

6.16   The DOF believes it has gone about as far as it can with devolution of its powers to operating departments.[4]

6.17   What may not be fully appreciated is that devolution in relation to resource use has been within a clear set of budgetary rules and a framework that has sought to strengthen central control over aggregate resource levels and public expenditure but has devolved controls on the detail of administrative inputs and processes. Changes have been at two levels. These are listed in Chapter 2, p.9.

6.18   In relation to the body of rules regulating public financial administration, major thrusts have focussed on:

- simplifying financial administration for departmental managers through changes to Finance Directions that accompany the Audit Act including the elimination of a number of unnecessary requirements;

- deregulation of functions such as purchasing/procurement processes to provide more scope for managerial judgements;

- removal of counter productive controls such as staff ceilings, replaced by greater reliance on financial measures;

- financial reporting by secretaries and heads of agencies; and

- control of forward obligations by departmental secretaries.

6.19   The development of a set of budgetary rules and aggregate expenditure controls have sought to reduce DOF intrusion into departmental management, while at the same time:

- enhancing the awareness of Ministers and their managers regarding priorities and the costs of existing and proposed activities; and

- providing a rational framework within which Ministers can collectively decide on overall priorities, and level and composition of government spending in the short to medium term.

6.20   Achievements identified by DOF included:[5]

.   the use of 3 year Forward Estimates of budget outlays as a firm base line for resource allocation decisions and for keeping tight control over future years' spending;

.   a *portfolio* approach to budgeting *which* gives spending Ministers and their departments greater capacity and discretion in considering priorities;

.   the running cost system, discussed in Chapter 4, which provides program managers with greater flexibility to allocate salary and administrative resources and make changes between financial *years; and*

.   user charging and revenue retention, discussed in Chapter 5, which move away from a central rationing of supply of common services and give user managers better scope to vary their level of demand and choice of supplier.

6.21   While the prime focus of the inquiry is on financial management, it is also worth noting that major changes towards devolution in personnel management have occurred including recruitment, promotion, discipline, redeployment, retrenchment and training and staff development. The industrial relations area is probably the most sensitive, although second tier and *Structural Efficiency Principle (SEP)* award negotiations have highlighted possible opportunities for agency specific agreements. There may well be further scope for devolved decision-making in personnel management areas.

6.22   There is certainly considerable scope for linking personnel management and industrial relations strategies in with FMIP changes in individual organisations to improve departmental management. The Committee comments on this issue in Chapters 2 and 9.

6.23   In general, departments and agencies have supported the changes that have occurred. Neither DOF nor operating agencies believe the changes have gone too far.

6.24   Overall, the response of departments to the devolved responsibilities from central agencies was well summed up by DILGEA as:

> ... we have a lot less controls and a lot more freedom and a lot less time wasted on talking to central agencies.[6]

6.25   There were, however, some general reservations expressed. For example, the DTC echoed a cautionary note regarding devolution of the training and development functions which is discussed in Chapter 9. DCS&H drew attention to continuing inflexibilities under user charging arrangements in terms of how departments are tied to the Australian Property Group and Australian Construction Services and to other areas which may not be delivering services at a price competitive with private sector alternatives.[7] The Committee comments on choice of supplier issues in Chapter 5, noting in particular that the implementation of user charging arrangements have only just begun and will require refinement and development as the experience of the DOF, DAS and clients departments develop.

6.26   DEET noted that devolution from central agencies involves 'additional work that agencies are being progressively asked to absorb (which) is rarely accompanied by sufficient resources to perform the tasks ... and brings with it a greater training requirement which is, in itself, resource intensive.'[8]

Conclusion

6.27   Both the process of appropriation and detailed regulation of financial administration has been streamlined significantly providing public sector managers with greater scope and flexibility for managing their operating expenditures and associated processes within overall resource limits.

6.28   There may be scope for further refinements to the budgetary and regulatory framework in the areas of the Running Costs System, and user charging as departments gain experience. However, that further development should not be justified only on the grounds of increased managerial flexibility and incentives. It should be supported by a demonstrated improvement in information systems, evaluation and accountability practices in the public sector.

Recommendation

6.29   **The Committee recommends that further streamlining of the budgetary and regulatory framework should have regard to a demonstrated and significant improvement in performance information and evaluation and accountability practices within the public sector.**

The Role of DOF

6.30   Evidence before the Committee has suggested a perceived conflict within the DOF under the new arrangements as illustrated by comments from the ABC:

> ... our budgets are handled by the supply divisions of Finance and I have yet to find anyone in the supply divisions who gives any weight to what the other arm of Finance is preaching on FMIP ...[9]

and from DCS&H:

> ... supply divisions ... are still seeking an interventionist role in the management of departments as substitution for earlier roles.[10]

DEET drew attention to examples of conflict in the role of the Department of Finance as to whether it should act as the watchdog of the public purse to the detriment of assisting Departments implement Government policy.[11]

6.31   The Committee is willing to accept that this is part of the transitional change within DOF itself, although it notes that the impact on DOF has been more in terms of a change in the manner in which it carries out its responsibilities rather than in its overall role.

6.32   Its role continues in respect of advising the government of the day on the cost-effectiveness of government programs and new policy proposals, for monitoring and advising on overall expenditure control and for budget management. Significant effort is still needed in administering the formulas in the running costs system and revenue retention and maintaining the accuracy of the Forward Estimates. The DOF also has more scope for identifying the objectives of programs and for encouraging review and evaluation of outcomes.

6.33   DOF has acknowledged that it needs to do more to change its culture and foster the development of appropriate attitudes and skills within its own organisation in support of FMIP principles.[12]

Conclusion

6.34   The Committee notes the need for DOF to develop among its own divisions the appropriate culture, attitudes and skills that support a role and approach which is consistent with the government's public sector resource management reforms.

Devolution Within Agencies

6.35   Within departments and agencies, devolution can be:

- from Central Offices to State Offices;

- from State Offices to regional and local areas;

- between levels of management and operations within office units; and

- from corporate/management services to program managers.[13]

6.36   As noted earlier, departments need to pursue devolution processes that reflect their particular circumstances. The Committee also noted that considerations regarding economies of scale and attitudinal and systemic factors can influence the speed, extent and nature of the devolution process. Implementation will also depend on the type and maturity of programs and the level of skills available within organisations.

6.37   The impetus for effective devolution within operating agencies requires:

- clearly understood corporate and program objectives;

- the setting of overall priorities and projects; and

- line managers to have administrative budgets and the flexibility to shift resources to meet changing circumstances within agreed policy priorities.

6.38   These conditions are one element in the matching of managerial authority and responsibility. The other relates to the alignment of the organisation and program structures.

6.39   A program structure in an organisation is designed to provide a framework that links strategic planning, budgets and operational practices to achievement of objectives and corporate goals. An organisational structure reflects the roles and responsibilities of different parts of an organisation and the individuals within it. Where organisations and program structures are closely aligned, managers can be given responsibility for specific objectives matched by the authority over resources and processes to achieve related outcomes.

6.40   Naturally, devolution processes pose the greatest challenge where organisation and program structures diverge widely. A number of departments and agencies have chosen centrally to align their organisation and program structures more closely. However, in regional and local offices this may not be the case because many programs may be delivered through the one point of contact. In such circumstances the distinctions inherent in program structures are less clearly perceived by managers.[14]

6.41   Most departments believe differences between organisational and program structures can be managed. What is essential however, is clear lines of accountability. Devolution must lead to improved performance. As noted earlier (para 6.7), devolution requires that supporting information, communication and reporting systems be developed and appropriate delegation and control processes be set in place. It is generally accepted that senior managers will be more comfortable in letting go their controls if they can be satisfied that information can flow to them readily through a properly constructed system which will enable them to satisfy themselves that the controls they have devolved are being properly exercised.[15]

6.42   As noted in Chapter 2 (para 2.23), the Auditor-General has emphasised the importance of having in place systems that facilitate monitoring of operations and accounting for performance. Without these systems there is a risk of inadequate accountability and of 'risky management'.

6.43   Departments also emphasised training as an important element of effective devolution as illustrated by DEET's comments. Staff need to understand their responsibilities and have the knowledge to implement new and often unfamiliar procedures.[16] This issue is addressed in Chapter 9.

6.44   Evidence before the Committee indicates that progress with devolution within departments has been uneven and in most departments and agencies where devolution is appropriate, significant effort continues to be required. This view is shared by central agencies as well as the central and regional offices of departments.[17] It is also supported by the discussion on Running Costs in Chapter 4. The forthcoming comments illustrate the varying progress in devolution made by departments. For example, DCS&H stated:

> it will be another couple of years before we
> get to a reasonably well devolved
> situation.[18]

6.45   Defence has indicated that:

> At the highest policy level a decision in
> principle has been taken and endorsed ... to
> support a more devolved management structure
> within the Defence organisation as a whole.
> That covers both the military and civilian
> sides of the Department.[19]

6.46   DILGEA, advised that it had devolved most of its
casework and higher level delegation and various aspects of
financial management to State offices[20] The department believes
the challenge now lies in how much <u>deeper</u> that devolution should
extend in the organisation and the <u>breadth</u> of that devolution.
The depth of devolution is a matter of pushing power and
responsibility below the State and divisional levels ... The
breadth of devolution is basically a question of eliminating
centrally held funds and introducing departmental charging.[21]

6.47   The Committee believes that most service delivery
departments and agencies have taken some steps towards devolving
resource budgets and some financial management functions down to
division and state operations. It would appear that only some
departments have devolved appropriate authority. Very few
departments have in place appropriate information, communication
and reporting systems. These aspects are proceeding at a slower
rate in most organisations. It also appears that very limited
devolution has occurred for policy areas and in policy
departments.

Factors Inhibiting Devolution within Departments

6.48   The main drawbacks to devolution brought to the
Committee's attention were:

- most departments underestimate the need to manage
  the devolution process;

- changes in attitude are required by Ministers and
  senior managers towards greater reliance on
  communication and information flows between
  policy makers and program implementers than on
  central control over detail and resources in
  maintaining national policy consistency and
  accountability;

- devolution puts a strain on the corporate
  direction, overall standards and flexibility;

- unwillingness of some line managers to assume
  resource management responsibilities;

.   the importance of having to equip managers and
      staff with the appropriate skills to operate in
      the new management regime; and

.   the need to develop appropriate management
      information systems, reporting, delegation and
      control processes in association with any
      substantial change in devolution.

6.49   There were also some general reservations expressed.
One academic indicated that:

> ... have to be very careful about the
> concept of devolution ... the whole essence
> of program budgeting is in fact to
> centralise control and direction ... It may
> be that in the handling of bills, what
> training courses people go to, even the
> location of an office ... that, there has
> been substantial devolution, but in terms of
> the actual administration of the policy I do
> not think that is the case.[22]

6.50   The Committee acknowledged earlier that it is important
for departments to centrally retain the responsibility for
setting corporate direction, priorities, resource distribution
and evaluating overall organisational performance. This is both
essential to good management and accountability and to effective
devolution. The Committee also acknowledges that there may be
some attitudinal and systemic obstacles to implementation of
devolution which will take time to overcome. It does not,
however, believe that the FMIP and its core element the PMB is
inherently a centralising force in the detail of management.

6.51   ACS drew attention to areas where devolution may have
gone too far too soon or was inappropriate and described this as
'overdevolution'. The Committee also noted that
economies-of-scale and the benefits of trade-offs between
centralisation and devolution had influenced steps toward
recentralisation following earlier devolution experience. For
example, the Transport and Storage Group of DAS has decided to
recentralise its financial management decision making in
recognition of its business structure and the need to reduce
overlap.

Conclusions

6.52   The Committee is of the view that the resource
management and PMB reforms provide a basis for carefully planned
and implemented devolution. It notes the devolution that has
occurred and recognises that it can be a protracted process. The

Committee also notes that devolution must lead to improved performance and accountability and systems should be in place as quickly as possible to monitor and review performance.

Recommendations

6.53   The Committee recommends that departments:

- review the appropriatness of the devolutionary steps taken to date and identify where further devolutionary steps (if any) are justified;

- plan and train staff to ensure that devolution is undertaken effectively; and

- progress the development of relevant information, communication and evaluation systems.

ENDNOTES

1. <u>Evidence</u>, pp.277, S217

2. O'Connor, 1989, p.56

3. Bedlington, 1989, p.79

4. DOF, 1989, pp.9-10

5. DOF, 1989, pp.9-10

6. <u>Evidence</u>, p.60

7. <u>Evidence</u>, p.159

8. <u>Evidence</u>, p.S106

9. <u>Evidence</u>, p.132

10. Bedlington, p.80 1989

11. <u>Evidence</u>, p.S106

12. <u>Evidence</u>, p.S253

13. Bedlington, 1989, p.79

14. <u>Evidence</u>, p.S106

15. Codd, 1989, p.9

16. <u>Evidence</u>, p.S106

17. <u>Evidence</u>, pp.24-25; Keating and Holmes, 1989, p.11; Codd, 1989, p.8)

18. <u>Evidence</u>, p.163

19. <u>Evidence</u>, p.180

20. <u>Evidence</u>, p.S30

21. <u>Evidence</u>, pp.S32-S33

22. <u>Evidence</u>, p.264

7. PERFORMANCE INFORMATION

7.1   Timely, accurate and relevant information is crucial to the 'managing-for-results' orientation of FMIP and to its central principles - effective decision-making, devolved management in organisations, a focus on results in process and policy terms, an assessment of achievements against objectives and accountability for performance.

7.2   Both the bedding in of FMIP changes and sustained improvement in public sector management and performance depends on the development by departments and agencies of quality performance information, management information systems and evaluation processes.

7.3   This chapter addresses issues of importance to the development of these areas and the progress made by departments and agencies. In this context, the Committee also discusses some of the difficulties encountered. Chapter 8 considers performance information for public accountability purposes particularly that available through annual reports, explanatory notes and the reports of the Auditor-General.

Performance Information

7.4   It cannot be underscored enough that good information is central to the needs of parliamentary scrutiny, government decision-making and departmental management.

7.5   Performance information relates to all information both quantitative and qualitative which inform various decision-makiers about how well an activity, a major program, organisational unit or the organisation as a whole are performing against a set of policy objectives, targets and priorities.

7.6   At the macro level, performance information, as part of a broader evaluation process and linked to central budgetary decision-making, has the potential to influence decisions on government priorities and the composition and patterns of program expenditure. It contributes to parliamentary scrutiny in ways described in Chapter 8.

7.7   Its contribution to departmental management can be illustrated by reference to the diagram on page 67. The management cycle of any organisation is a result of a complex set of relationships - external influences, policies, objectives, strategies, plans, budgets, procedures, service delivery arrangements, administrative mechanisms, monitoring and evaluation.

7.8   Performance information can underpin that cycle in various ways:

Planning

- facilitates choice of strategies to achieve objectives and goals;

- identifies priorities and need for change in direction and approach to implementing programs.

Budgeting

- justifies bids for resources;

- helps develop targets, milestones, standards; and

- assists distribution of resources to programs.

Implementation/Monitoring

- monitors progress and guides corrective action and adjustment of processes and systems.

Evaluation

- helps towards clarifying and refining government policy;

- identifies secondary benefits and unintended adverse consequences; and

- demonstrates achievements, assesses need and scope for change, cost of alternatives and new programs.

7.9   As an instrument of performance and accountability, two dimensions of performance information are important - efficiency and effectiveness. Efficiency is about the degree of economy in the use of resources to achieve results. Effectiveness relates to the extent to which stated objectives and related targets are achieved. Access, client attitudes and satisfaction and service quality are generally accepted as part of effectiveness.

THE MANAGEMENT CYCLE

- Environment
- Parliament Ministers
- Clients

PLANNING

STRATEGIC / OPERATIONAL

- Policies
- Objectives
- Priorities

- Corporate Programs
- Processes

EVALUATION & REPORTING

. Client Needs
. Processes
. Efficiency
. Effectiveness

BUDGETING

. Resource and Manpower Assessment

. Budget and Staff Allocations
. Priorities
. Targets

IMPLEMENTATION & CONTROL

MONITORING

budget   priorities   service   clients
              and targets   providers

. Services delivered
. Operations
. Procedures
. Processes
. Practices

7.10   The Committee was somewhat surprised at aspects of DOF's response to its query on the need for departments to have regard to client attitudes in considering effectiveness. DOF indicated that it '... does not consider client views should be themselves regarded as actual measures of performance. However, ... such views have an important place in information upon which judgement's about performance should be made and that interpretation of those views should be undertaken with care'.[1]

7.11   This illustrates the conceptual and practical complexities of what constitutes a 'result' in public policy and management terms and as indicated in chapter 2 (page 14-16) suggests that the FMIP methodology may need further clarification in a number of aspects.

7.12   The Committee acknowledges the generally accepted difficulties of developing good quality performance information-for example:

- the difficulty of developing indicators of achievement against often nebulous objectives;

- the effect of external factors which impacts on program performance and makes it difficult to isolate the direct results of particular policies or actions;

- the difficulty of quantifying essentially non homegeneous outputs and of incorporating service quality dimensions into performance indicators;

- value judgements inherent in qualitative indicators;

- the nature of policy and research work in the public sector; and

- often multiple and interrelated indicators are needed to provide a picture of efficiency and effectiveness.

7.13   However, it is important to recognise that, despite these considerations, there remains considerable scope for the development and use of performance information in the public sector for monitoring, evaluation and decision making purposes.

7.14   The Committee notes that most of the performance information available to date is of a process and efficiency nature. It also notes the general improvement in performance information provided in Explanatory Notes to the Senate and comments on a number of relevant issues in Chapter 8. In addition, it recognises that departments with a more homogenous

output and with a *service delivery and operational focus* are better placed to make progress on development of performance information.

7.15   However, the *The 1988 FMIP Report*[2] indicates that departments have a long way to go in developing different types of performance information

> ... information [on] ... program performance in relation to resource usage ... has been limited. Whilst around two thirds of the departments and agencies surveyed said that efficiency or effectiveness indicators had been agreed at sub-program level, few indicators have been developed to a stage where they are regularly measured and those that have tend to focus on efficiency rather than effectiveness.

The Report also indicates that experience in overseas countries suggests that development of indicators which help assess program effectiveness is a very long term process.

7.16   Lack of progress was confirmed by the AAO:

> ... in the Auditor-General's September 1988 and April 1989 reports fifteen references covering a number of Departments and agencies were made concerning performance indicators. Of these, one indicated performance indicators were in order, four indicated performance indicators had been established but recommendations were made by the AAO for improvement, four indicated performance indicators were not fully developed, and six indicated performance indicators had not been established.[3]

7.17   Departments and agencies also confirmed this view and typical comments were:

- AGRBO:

  > ... whilst we have had some success in the establishment of low level quantitative performance indicators the setting of qualitative performance indicators has proved a difficult task in the short-term.[4]

- Treasury:

  > ... we have a long way to go yet and in terms of the specifies I would say that out of a mark of 10, we are only up to about four.[5]

7.18   DILGEA acknowledges there is substantial room for improvement:

> But the major difficulty is that we have moved very substantially only in the direction of efficiency indicators. Now effectiveness indicators are harder.[6]

The ACS acknowledged that it may take 10 years to develop performance indicators based on outcomes.[7]

7.19   Departments identified the following areas where it is particularly difficult to develop adequate performance information: policy advice, development and co-ordination; systems development; complex client counselling; programs of a social/quality nature; research oriented areas; service delivery; and State/Commonwealth programs. Departments whose primary function is policy work have been amongst the slowest in developing performance information.[8]

7.20   Some other factors which departments suggested have influenced the rate of development of performance indicators are:

.   the lack of experience and skills within the Commonwealth in development and use, particularly of effectiveness performance indicators;

.   scepticism surrounding the PMB process due to some unsuccessful attempts overseas;

.   the time spent and further progress required on developing outcome-oriented objectives – an important step to the development of performance information;

.   the resource costs involved in developing, refining and using and maintaining performance indicators;

.   machinery of government changes in July 1987;

.   the problems involved in collecting data for performance indicators;

.   simple lack of attention to this issue by some departments; and

.   additional demands that are being placed on departments such as the identification of social justice objectives for programs and their reflection in performance indicators.

7.21   The Committee also acknowledges that departments may be inconsistent in the performance information they utilise internally or make available for public release depending on whether it shows a particular program or agency in a favourable light. This aspect presents a challenge for all decision-makers and relevant review mechanisms. It needs to be addressed in such a way as to avoid creating significant disincentives that discourage managers from developing and disclosing appropriate levels of performance information.

Conclusion

7.22   The Committee recognises that there are some difficulties involved in developing adequate performance information particularly in relation to effectiveness. It accepts that both quantitative and qualitative indicators are needed to inform judgements about performance. It notes that the pace of development has generally been slow since 1983 and that this is one of the many areas of focus in Stage II of FMIP development. It supports a concerted effort by departments as it believes that development to date has not fully reflected the perceptions of progress in the *1988 FMIP Report*. This approach underpins the conclusions and recommendations made in Chapter 8 which addresses performance information with regard to public accountability purposes particularly that available through annual reports and explanatory notes.

Recommendations

7.23   **The Committee recommends that:**

- **Departments and agencies should make a concerted effort to develop performance information that *assists decision-making and accountability*. There should be a demonstrated improvement in this regard by 1992; and**

- **the department of Finance should increase its practical assistance to departments with emphasis on development of performance information relating to program effectiveness.**

Social Justice Issues

7.24   As part of the Government's social justice strategy, social justice objectives and indicators of performance are to be incorporated as part of PMB. To assist departments in this task the DOF and PM&C produced a report titled *Social Justice and Program Management: A Guide.*

7.25   1989 is the first year that portfolios have had to report on this issue. The DOF has advised that generally:

> departments/agencies have made significant progress in addressing social justice concerns in their programs and in reporting arrangements.[9]

7.26   The Social Justice Strategy Secretariat has indicated that it is assessing the 1989-90 explanatory notes to see how departments have performed on this issue. The results of that surveys are not yet available. The Committee notes that this area is being emphasised in Stage II of FMIP implementation and that PM&C and the DOF will continue to assist departments in this regard.

Management Information Systems (MIS)

7.27   The term MIS generally relates to large scale information outputs from ADP applications. The FMIP changes have had a significant impact on the main centralised systems operated through the DOF and on large ADP applications in operating departments, as well as their less structured processes for handling information.

7.28   DOF's systems relate to service-wide accounts and payroll processing, budget management and aggregate monitoring and control. Departmental needs require systems that provide source data, have more flexible reporting capacities and can be developed on a decentralised basis.

7.29   At operating levels, line managers require detailed information relating to transactions data, inputs, workload, standards, activities and outputs. Higher levels of management require information which is more condensed, relying on disparate sources and identifying the critical factors affecting overall program or organisational performance.

7.30   Evidence before the Committee indicates that the MIS efforts of departments and agencies to date have mainly concentrated on the development of financial and personnel related large-scale systems.

7.31   One of the most essential needs identified by most departments and agencies are systems that collect, store and integrate information for decision-making purposes.

7.32 As the diagram on page 13, Chapter 2 illustrates, departments' have made limited progress in both establishing their MIS and having them operate effectively - particularly in terms of being used systematically by line managers. *The 1988 FMIP Report*[10] indicates that much of the current effort has centred around the processing needs of personnel or finance areas in organisations. In direct service and operational departments such as DILGEA and DSS, however, some progress has been made in developing reporting systems to meet the needs of line managers.

7.33 The Committee is aware that the introduction of user charging and quasi-commercial practices requires the development of accrual systems and this is a major and complex process. Chapter 5 (para 5.26) indicates that DAS has had to overhaul its existing information systems and is still in the process of selecting and installing new systems. The Committee also notes that DAS is examining ways in which this development can also satisfy the need for overall departmental reporting.[11]

7.34 The Committee is aware that lack of suitable on-line financial MIS has prompted departments to develop their own systems which are compatible with, but do not rely on, the DOF finance ledger system.

7.35 DOF has drawn attention to the central co-ordination of effort on information systems in recent years to facilitate overall efficiency of service-wide MIS development. That effort is well documented at p.53 of the *1988 FMIP Report* and has aimed at avoiding duplication of effort by departments, at establishing common standards and maximising benefits from information technology.

7.36 In addition DOF has offered agencies a consultancy service on a commercial basis to assist their MIS developments. That assistance, however, has concentrated on financial areas and is expected to be extended to human resources, asset management and inventory control in the near future.

7.37 The Committee also notes and supports the life cycle investment approach required of ADP Acquisition Councils of which *DOF is a member and which are established by relevant departments* considering major ADP developments. That approach is linked to outcomes to which departments have to commit themselves in seeking funding for their proposals.

7.38 As Chapter 8 indicates, MIS are required to fulfil internal as well as external accountability obligations. The information reported in Annual Reports and Explanatory Notes draw on such systems particularly in relation to indicators reflecting activities, resource use, outputs and efficiency aspects.

7.39   Chapter 8 also notes that the FMIP arrangements have extensive reporting requirements (para 8.83) which are regarded by most departments as burdensome. Two points are important in this context. One relates to the efficient design of MIS so that relevant data can be marshalled effectively and reproduced in such a way as to be utilised by managers. That is a common problem in departments. In addition, managers need to understand their information needs for decision making and management purposes and to identify these clearly to assist in defining the parameters of their information and reporting systems. This capacity appears to be lacking at managerial levels but is important to the design and development of appropriate and well utilised systems. Too often, managers elect to go for too much information because they have not clearly identified their essential information requirements.

7.40   The Committee notes that the *1988 FMIP Report* refers to systems with data modelling capacities[12] and the ability to effectively marshall available data from disparate sources to meet the varying information needs of different levels of management. In the private sector, such systems are referred to as decision support systems. It would appear that most departments are some way off in developing such capacities to any significant extent except perhaps in some selective applications.

7.41   Having said that, however, the Committee notes that it is common practice for managers to supplement ADP and manual systems based quantitative information with qualitative data obtained through networking, judgement based on experience, research or access to data in public data bases (eg. ABS publications).

7.42   These sources assist service delivery and policy oriented areas and are a useful management tool. However, their utility is heightened when used in conjunction with on-going systematic and available quantitative information.

7.43   Finally, the MIS effort to date has concentrated on input, process and output information (ie. it has been essentially efficiency related). Development of systems that focus on effectiveness information (eg. needs assessment research, periodic client surveys, quantitative and qualitative evaluation techniques) are at an embryonic stage although some departments are making efforts to develop feedback mechanisms on client attitudes towards service delivery. This is essential to good decision making and to progress in the development of effectiveness criteria.

Conclusion

7.44   The development of appropriate management information systems is essential to devolved management, implementation of user charging, monitoring of performance, good evaluation practice and internal and external accountability requirements. The emphasis to date has been on establishing financial, personnel and process-related systems and progress generally has been limited.

7.45   The development of systems which integrate effectiveness criteria with efficiency related information are at an embryonic stage in departments. The DOF consultancy service should incorporate assistance to departments in this regard. The Committee supports the continuation of a central co-ordination of effort on MIS development.

Recommendations

7.46   The Committee recommends that:

•   departments and agencies should make consistent and substantial efforts to develop appropriate management information and reporting systems that facilitate monitoring of performance, decision-making and accountability; and

•   the monitoring of developments within departments and agencies and the identification and dissemination of 'best practice' should be a priority focus of the MIAC's annual work plan.

Performance Contracts

7.47   The ATO suggested that the FMIP could be improved by introducing a system of performance contracts (or resource agreements) whereby major objectives over a three to four year time-frame are agreed and funded.[13] The Committee notes that the ATO has a form of 'resource agreement' in relation to its ADP modernisation project and has committed itself to a schedule of outcomes against which it has received funds. The Committee has made its view known on 'resource agreements' in Chapter 4, (paras 4.39-4.45).

7.48   The DOF has noted that 'the long term success of the program will depend on creating an environment in which good management performance is rewarded and poor performance is penalised'[14] As noted in Chapter 5 (paras 5.74 - 5.77) a framework of incentives linked to performance has yet to be established. Incentives are required at both the organisational

and individual levels and while some incentives will apply across the APS, for example the running costs systems and efficiency gains, the DOF suggests most will be developed in individual departments.

7.49   The Committee has in Chapter 8 noted the introduction of performance pay and associated appraisal systems for senior officers. The development of criteria and relevant techniques may create similar difficulties for departments and agencies to those experienced in relation to the development of effectiveness criteria and related information systems. Development is likely to be complex and resource intensive.

Evaluation

7.50   Evaluation   is   the   final   element   of   the 'managing-for-results' system of FMIP and an essential factor in PMB. Since it is the key to improved accountability, there has been a concerted push since 1987 on improving program evaluation within the public sector and establishing a more systematic and co-ordinated evaluation planning approach which is part of on-going program management, policy development decision-making.

7.51   This push has been designed to target:

- the establishment by departments and agencies of evaluation plans for the systematic evaluation of their major programs over a five year period;

- strengthened evaluation reporting requirements;

- improvement in evaluation skills and analytical capacity service-wide;

- better integration of major program evaluation activities within the central budgetary process through   the   preparation   of   portfolio-wide evaluation   plans   to   be   forwarded   to   the Department of Finance; and

- development of management information systems that foster good evaluation.

7.52   The benefits of evaluation will depend on the extent to which evaluation processes and results are linked to portfolio and central decision-making processes and parliamentary scrutiny. The introduction of evaluation planning and the requirement that all new proposals be accompanied by a statement of the intended evaluation approach has the potential to facilitate these

linkages. So too have reporting requirements. These require departments to refer to proposed or resulting changes to programs in portfolio explanatory notes and annual reports presented to Parliament and to report to the relevant portfolio Minister and the Minister for Finance on evaluation included in plans submitted to the DOF.

7.53   Departments may find it difficult to accept that evaluation provides insurance for an existing program or justification for a new initiative or changes to levels of services as circumstance change. Evaluation can also help clarify objectives, performance information and assist development of information systems within departments. At another level better information should assist decision-makers to make informed judgements about client services, priorities, savings options within portfolio budgets and the appropriate pattern of resource allocation between programs. When linked to central budgetary decision-making evaluation outcomes may also influence broader resource allocation issues and government priorities.

7.54   Evidence before the Committee suggests that evaluation planning processes in departments are still at the developmental stage and will require consistent and significant effort in bedding these into departmental corporate and program management planning and practices. The Committee was unable to comment on the extent to which evaluation has influenced central budget decision-making. It acknowledges in Chapter 8 that evaluation reports should make a significant contribution to parliamentary scrutiny.

7.55   Evaluation is regarded as being primarily the responsibility of departments and agencies. However, DOF's role extends to comments on Terms of Reference, participation in selected evaluations and the linking of evaluation planning to budget review processes.

7.56   It is nevertheless important that central budgetary processes do not discourage good evaluation practice in departments. The DOF can assist this process by adopting a consistent approach to the evaluation effort in departments so as to build up a good information flow and a reasonable and responsible approach to well argued proposals that are consistent with the government's broader social and economic objectives.

Evaluation Skills

7.57   As noted in Chapter 3, the development of appropriate skills for an FMIP environment was a persistent theme in the inquiry. This issue is very complex and is discussed generally in Chapter 9.

7.58   In relation to evaluation, the Committee noted that there is considerable variation in the way departments and agencies organise their evaluation function. Whatever approach is adopted, in line with organisational circumstances, it should strengthen the integration of evaluation work into decision-making processes.

7.59   Departments and agencies need to recognise the considerable potential of resources already available within their organisations and how best to organise that potential capacity. These resources may be found in specialist units, such as internal audit, management review, research and statistics and policy development and to some extent in large program areas. Outside consultancy assistance including from the DOF, and the ABS may also provide specialist assistance.

7.60   The Committee, however, does recognise the importance of supplementary training and its approach in Chapter 9 has regard to departmental needs in this particular area.

Conclusion

7.61   The Committee acknowledges that a systematic and comprehensive evaluation approach by departments and agencies is critical to sustained improvement in public sector performance and accountability. It recognises, however, that most departments have a considerable way to go in achieving this. Progress is linked to development of good performance information and management information systems and reporting requirements. The Committee recognises the importance of providing departments and agencies with greater incentive to improve their evaluation capacity through the linking of evaluation outcomes particularly to decisions made in the central budgetary process.

Recommendation

7.62   **The Committee recommends that:**

- departments and agencies should make a consistent and systematic effort to develop their evaluation planning processes and link these more consistently to their decision-making and priority setting. There should be a demonstrated improvement in this regard by 1992;

- the Department of Finance should:

  - increase and more effectively target its practical assistance on evaluation to departments; and

- ensure that departmental evaluations are linked into the decision-making of the central budgetary processes.

ENDNOTES

1. <u>Evidence</u>, p.S265)

2. *1988 FMIP Report*, pp. 57

3. <u>Evidence</u>, p.S75

4. <u>Evidence</u>, p.S8

5. <u>Evidence</u>, p.390

6. <u>Evidence</u>, p.68

7. <u>Evidence</u>, p.102

8. <u>Evidence</u>, pp. 375, 390

9. <u>Evidence</u>, p.S264

10. *1988 FMIP Report*, p.55

11. *1988 FMIP Report*, p.55

12. *1988 FMIP Report* , p.62

13. <u>Evidence</u>, p.S58

14. *1988 FMIP Report*, 1988, p.13

8. PUBLIC ACCOUNTABILITY

Introduction

8.1   Accountability is a central feature of the Australian democratic system. It ensures that those who have authority over public resources provide an account for the use   of those resources in terms of compliance, efficiency and effectiveness.

8.2   An integral part of the FMIP changes has been a renewed emphasis on accountability for public sector resources. Establishing a Commonwealth administration   that   is   more responsive and accountable to Ministers and to the Parliament was one of the stated objectives of the APS reforms. Improved accountability is seen as the quid pro quo for devolution.

8.3   The FMIP changes have concentrated on improving the information   available   for   accountability   and   changing   the perceived emphasis of accountability from a focus on compliance and due process to a focus on performance. Within FMIP, accountability is seen as the mechanism to drive departments to improved   performance   by   having   increased   attention   paid   to performance issues by the accountability bodies, particularly the Parliament.

8.4   However, it has been suggested by some critics of the FMIP changes that, rather than enhancing accountability, the changes have diminished it. The criticism has suggested that the use of 'risk management' as the new management philosophy of FMIP lessens central controls and prescriptive regulations, opening up increased possibilities of fraud and mismanagement. The changes are seen as creating traps for public servants by extending the field of accountability beyond compliance also to include issues of performance and effectiveness.

8.5   In   this   chapter   the   Committee   discusses   the relationships   that   make   up   Commonwealth   public   sector accountability and the important questions of who should be accountable to whom and for what. The impact on existing accountability relationships of the FMIP's emphasis on improved accountability information and accountability for performance is examined. In this context the Committee discusses some of the criticisms referred to above. Finally the Committee suggests future directions for accountability.

8.6   Much of the focus of the chapter is on external accountability to the Parliament. Accountability within departments is discussed at the end of the chapter. The Committee considers internal and external accountability to be closely connected. The mechanisms in place for internal accountability provide the basis for the information and systems for external accountability. The issues affecting both also are similar.

What is public accountability in Australia?

8.7   Public accountability has been defined as

> The obligations of persons/authorities entrusted with public resources to report on the management of such resources and be answerable for the fiscal, managerial and program responsibilities that are conferred.[1]

8.8   Within the Australian public sector, accountability emerges from the democratic nature of the political system. The responsibility assumed by those who exercise public authority creates lines of accountability that link departments and agencies to the Executive, the Executive to the Parliament, and the Parliament to the public that elects it. These accountability relationships are covered by a number of conventions that, together, are described as the 'Westminster model' of parliamentary government.

8.9   The authority of the Parliament to demand accountability to it arises broadly from its representation of the people. More specifically it arises from the fact that the Executive must seek Parliament's approval for all legislation, including that for the expenditure of public funds. Thus the Parliament must approve of the Government's expenditure program and receive an account that those funds have been spent properly, efficiently and effectively.

8.10   The Parliament's interest in issues of compliance and probity understandably follows from its authority in relation to legislation and appropriations. However, the Parliament also is interested that the public funds it appropriates for the Government's programs are used efficiently and effectively.

Who is accountable to whom for what?

8.11   On the question of who is accountable to whom, the Westminster system appears to make the lines of accountability clear - public servants are accountable to Ministers, Ministers are accountable to Parliament and the Parliament is accountable to the people by means of regular elections.

8.12   The Secretary of the Department of Prime Minister and Cabinet, Mr Mike Codd, referred to the guidelines for witnesses appearing before parliamentary committees and stated that the division of responsibility between ministers and public servants was a clear one:

> the public and parliamentary advocacy and defence of government policies and administration has traditionally been, and should remain, the preserve of Ministers, not officials. The duty of the public servant is to assist ministers to fulfil their accountability obligations by providing full and accurate information to the Parliament about the factual and technical background to policies and their administration.[2]

Codd does not see public servants as having a direct responsibility to Parliament. This responsibility belongs to ministers.

8.13   However, the Prime Minister has noted the difficulties in drawing a neat dichotomy between policy (for which ministers are supposedly responsible) and administration (supposedly the responsibility of public servants). As a result, he noted that the Westminster theory of full accountability of ministers for all actions of their departments is far-fetched. He stated that the greater complexity of modern political and administrative realities made the relationship between ministers and officials much more complex.[3]

8.14   At least one Parliamentary committee sees the relationship between public officials and the Parliament as being a direct one. The Joint Committee on Public Accounts (JCPA) has stated that 'Accountability to the Parliament means that federal officials are answerable to Parliament for their actions and decisions'.[4]

8.15   To indicate that this is not a recent perspective of the Parliament, the JCPA in 1982 stated that 'the public service, through senior administrators, are answerable not only to Ministers but also to Parliament for their management of public policies'.[5]

8.16   The answerability of public servants directly to the Parliament was seen by the JCPA to arise from the complexity of modern government which necessitated the sharing of executive power between ministers and public servants[6]. As a result of the sharing of power, there was seen also to be a requirement for a sharing of accountability.

8.17   This discussion indicates that the questions of who is accountable to whom and for what cannot be answered as simply as the Westminster theory implies. The increasing complexity of government has blurred accountability responsibilities. Also it is difficult to separate issues of policy and administration.

8.18   Further, accountability responsibilities are subject to continuing debate between the Executive (Ministers and public servants) and the Parliament. The Parliament is not a single entity, and the perspective of differing parliamentary committees and individual parliamentarians will differ on the issue of accountability.

8.19   For individual public servants this complexity creates a dilemma for them in terms of their responsibilities. A senior public servant expressed the personal dilemma he felt between:

> my responsibility to my Minister in the effective delivery of the Government's programs ... and the relationship between that responsibility and the one I have to the Parliament.[7]

8.20   The Committee suggests later that the FMIP changes may have heightened the dilemmas for public servants by emphasising accountability for effectiveness as well as for compliance issues. Public servants are being asked to think about their accountability obligations in broad terms.

Conclusions

8.21   The Committee concludes that both Ministers and public servants are accountable to Parliament. Ministers are accountable in a direct sense. Public servants are accountable, but in a less direct sense. They have accountability obligations in terms of keeping Parliament informed and assisting parliamentary scrutiny of public administration and expenditure.

8.22   The power of parliamentary scrutiny extends beyond having public servants report on their activities. The ability of parliament scrutiny processes to expose unethical, inefficient or ineffective public administration adds an additional dimension to the accountability of public servants to the Parliament.

8.23   The picture in relation to what accountability covers is also complex. Parliament has a wide interest in accountability ranging from issues concerned with the process and probity of government administration and spending, to the efficiency, effectiveness and appropriateness of government policies and programs. It will wish to be informed about, and scrutinise, all these issues.

External accountability in practice

8.24   External accountability of the Government to the Parliament takes place through questions with or without notice to Ministers, during debates in Parliament and by way of parliamentary committee inquiries.[8] While the accountability that takes place within the Parliament is of particular importance, it must be recognised that the Parliament itself cannot deal with detail of government policy and executive action. Much of the detailed scrutiny is undertaken by the Parliament through parliamentary committees.

8.25   Since the early 1970s there has been a dramatic increase in the number of parliamentary committees and the inquiries they undertake. Senate estimates committees and general purpose standing committees were established in 1970. The House established a number of standing committees in 1973. However, the House committees did not form a comprehensive system to cover all areas of government administration until 1987.

8.26   As well as the 16 general purpose committees of both houses, there are the long standing Joint Committees of Public Accounts and Public Works with their statutory scrutiny obligations. These committees are supplemented by a number of other standing and select committees on particular areas of government administration.

8.27   Taken as a whole, parliamentary committees comprise a significant scrutiny effort of the Executive by the Parliament. They cover all aspects of government activities and make considerable demands of public servants in terms of the provision of information. Their reports, which the government has given a commitment to respond to within three months of tabling, can have significant influence on government policy and public administration.

FMIP and the `New Accountability'

8.28   The FMIP changes are designed to enhance the existing framework of accountability not only by addressing the traditional issues of compliance but also by placing greater emphasis on accountability for performance. According to the DOF the changes mean that:

managers can be more readily held accountable for what they achieve, and not only for what resources they use, or what mistakes they made. The freeing up of controls requires increased accountability, as the 'quid pro quo' for this additional flexibility.[9]

8.29   Supporting the change in emphasis, there has been a substantial increase in the amount of performance information, particularly budgetary documentation, being submitted to the Parliament. The change in emphasis together with the additional information is seen as creating an era of 'new accountability' within the Commonwealth public sector.[10]

8.30   However, critics have questioned whether the accountability dimension in the new approach 'has been adequately developed or adequately thought about'.[11] Criticism has focussed on whether issues of probity, fairness and ethical behaviour continue to receive sufficient attention within a risk management approach. Also it has been suggested that the accountability demands on public servants have been made even more complex by the requirement to account for results as well as for compliance. The question referred to earlier in the report of what constitutes a 'result' in public policy terms is relevant here.[12]

8.31   In this section, the Committee discusses the processes of parliamentary scrutiny and the way in which the FMIP changes can be better integrated into these processes. In doing so the Committee also addresses some of the concerns of the critics of the 'new accountability'.

8.32   The Committee considers that the enhancements of accountability are to date more modest than has been represented by the advocates of FMIP. In some areas they build on existing trends in parliamentary interest in issues of program and policy effectiveness. However, the Committee considers that the FMIP changes can assist in broadening parliamentary scrutiny of the Executive. To enable this to be achieved, it will be important that:

    .   the new developments are fully explained to, and understood by, the Parliament;

    .   there is the opportunity for thorough review of the additional accountability information by better integrating it into the Parliament's existing scrutiny processes, particularly parliamentary committee inquiries;

- the accountability information develops further in addressing issues of performance; and

- there is openness towards, and co-operation with, the Parliament's scrutiny processes on the part of the Executive, particularly public servants.

8.33   Within the FMIP framework, parliamentary committees are seen as crucial in focussing attention on issues of the performance and effectiveness of government programs.

> If Parliament, through the Senate Estimates Committees, the Joint Committee of Public Accounts or other parliamentary structures, systematically addresses issues of performance, departments will have a compelling incentive to generate and provide evidence to indicate their efficiency and effectiveness.[13]

8.34   However, it has been claimed that committees continue to concentrate on the compliance aspects of accountability rather than focussing on improved performance, efficiency and effectiveness.[14] Parliamentary committees are said not fully to have understood fully the change to risk management that has been pursued within FMIP.

8.35   It should be noted that the Parliament has its own accountability agenda and does not see its role in terms of bedding down the latest public service management reforms. However, it was noted in the last section that the Parliament's accountability agenda is a broad one and embraces issues of efficiency, effectiveness and policy. Thus the criticism that Parliament focuses its scrutiny on compliance issues appears misplaced.

8.36   This can be demonstrated by looking at the focus of parliamentary committee inquiries. Research done by Malcolm Aldons indicated that most parliamentary committee inquiries were concerned with policy issues rather than with compliance or efficiency issues.[15] While this research is now somewhat dated, a brief look at the committee inquiries listed in the Senate and House Notice Papers indicates that committee interest is primarily with policy and program issues.

8.37   In terms of risk management, parliamentary committees remain cautious about the implications and achievements. The Committee agrees with the Auditor-General that 'Proper risk management is based on an assessment of risk and regular review of what is actually happening'.[16] These reviews could be subject to parliamentary scrutiny as part of the general inquiries of committees into particular program areas, thus providing a better insight as to how risk management is improving the performance of agencies. It could also provide assurance to the Parliament that risk is being managed appropriately.

8.38   For example, the Committee has examined risk management as part of its inquiry into the Australian Customs Service (ACS). The ACS makes extensive use of risk profiling and management techniques and the Committee has gained a practical appreciation of the use of such approaches.

8.39   The increasing quantity and quality of accountability information being produced for the Parliament is not being linked in with many of the parliamentary committees. This information, with its focus on program objectives and achievements, provides the opportunity to enhance the consideration by many parliamentary committees of policy and program effectiveness.

8.40   A better linking of accountability information with the wide range of parliamentary committees will be a joint responsibility of the Executive and the Parliament. The Committee considers this issue in the next section in which it discusses accountability information.

8.41   As discussed in Chapter 7, there is also further progress to be made in improving the performance information being produced for programs. It could be expected that the Parliament's focus on effectiveness will grow as the information produced provides a clearer picture of how programs are performing.

8.42   Apart from the greater use of information, there is a challenge for the Parliament in having its committees better define their objectives and interrelationships. Parliamentary committees need to articulate their objectives and improve their co-ordination to ensure that:

    .   overlap and duplication between them are minimised; and

    .   the signals being given to the Executive about Parliament's demands for accountability are clearer.

8.43   A   more   formalised   arrangement   for   committee
chairpersons and deputy chairpersons to discuss issues of overlap
and objectives in relation to parliamentary committees could
assist in addressing these issues.

8.44   A further possibility that could be pursued is for
greater co-operation between the House and Senate general purpose
committees, with more joint scrutiny being considered. This is
addressed in the next section.

8.45   The breadth of accountability envisaged under the FMIP
changes probably increases the dilemmas for public servants in
addressing the respective requirements of their ministers and the
Parliament. It has been suggested that public servants must now
beware of 'accountability traps' that arise from the ever
expanding demands made by the Parliament of public servants both
for compliance and probity as well as for program efficiency and
effectiveness.[17] According to Uhr, public servants may find
themselves 'increasingly bruised as they get swept between the
cross currents of compliance and results accountability'.[18]

8.46   The Committee's discussion in chapter 2 of the
difficulties of defining 'results' indicates the problems that
public servants will have in providing Parliament with an account
of the 'results' they have achieved. A clarification of what good
performance is in relation to differing programs and the
compilation of better performance information will assist.

8.47   Also it will be important for public servants to
recognise the breadth of the accountability demands that may be
required of them by the increased focus on performance and
effectiveness. Apart from their formal accountability to their
Ministers and Parliament, they may be called to account by
clients and the general public as tax payers.

8.48   The focus on effectiveness and performance will open
to exposure the success or failure of government programs. In
addressing their formal and informal accountability demands, it
will be essential that public servants demonstrate openness and
co-operation in addressing the issues.

Conclusions

8.49   The FMIP changes provide the opportunity to build on
the Parliament's already broad approach to scrutiny. To enable
this to be achieved it will be necessary that:

.   the FMIP changes are more fully explained to the
         Parliament;

- there is better integration of performance information being generated as part of the FMIP changes into the Parliament's existing scrutiny processes;

- this accountability information develops further in addressing issues of performance; and

- there is openness towards, and co-operation with, the Parliament's scrutiny processes on the part of the Executive, particularly public servants.

8.50   In relation to the first point, the Committee suggests that the DOF, as the central agency facilitating FMIP implementation, undertake to inform Parliament better about the FMIP changes and their implications for accountability.

8.51   The second point is addressed in the next section while the third point was discussed in the last chapter.

8.52   In relation to the fourth point the Committee considers that greater demands for accountability may be made of public servants by Parliament as greater attention is directed towards issues of performance. Public servants may be called increasingly to account for the effectiveness of programs as well as their efficiency. Greater demands may also be made of public servants in terms of openness and co-operation as the success or failure of government programs is open to greater exposure. The Committee suggests that the 'Government Guidelines for Official Witnesses Before Parliamentary Committees and Related Matters' may need to be revised to reflect the increasing interest of parliamentary committees in issues of effectiveness. It may no longer be possible to make a simplistic division between policy and administration.

8.53   The Committee also considers that there is a need for the Parliament to have its committees better define their objectives and interrelationships. This is beginning to happen through meetings of committee chairpersons (and in some cases, deputy chairpersons). The Committee considers that this process could be formalised.

Recommendations

8.54   **The Committee recommends that:**

- the Department of Finance, in consultation with the Parliament and its committees, undertake a regular program of seminars to inform members and staff of the Parliament about FMIP changes and their accountability implications;

- the Department of Prime Minister and Cabinet consider revising the 'Government Guidelines for Official Witnesses Appearing Before Parliamentary Committees and Related Matters' to better reflect the accountability requirements of public servants that arise from the FMIP changes; and

- an arrangement be formalised for parliamentary committee chairpersons and deputy chairpersons to meet on a regular basis to discuss parliamentary committee objectives and interrelationships.

Information for external accountability

8.55   A wide range of information is provided for the purposes of external accountability of the Executive to the Parliament. The information ranges from ministerial statements and answers to questions with and without notice, to the more formal accountability documentation of the budget papers (and supporting explanatory notes), annual reports of departments and agencies, periodic evaluation and review reports tabled in Parliament by Ministers and the large volume of information provided in response to parliamentary committees. This information is compiled by the Executive. The Parliament also is assisted in its accountability role by the examinations and reports of the Auditor-General.

8.56   The amount of information being generated for the purpose of parliamentary accountability raises the question of whether there is now more information available than the Parliament can deal with adequately. What is important about accountability information for the Parliament is the quality of the information, not the quantity. The Parliament and its committees do not have the resources to address vast quantities of raw data. Information that has already been filtered by means of evaluation, assessment and review is of most use to Parliament.

8.57   The Committee focuses on some of the most important accountability information:

- explanatory notes;

- annual reports; and

- reports of the Australian Audit Office.

There is probably scope to rationalise and co-ordinate the formal accountability information. Also the formal accountability information can be integrated more into the existing scrutiny processes of parliamentary committees.

Explanatory Notes

8.58   The explanatory notes for each program which are presented for consideration as part of the annual Budget are important accountability documents. They provide detailed program performance information - that is, a statement of the specific objectives of each program and, where possible, quantitative information (often supplemented with qualitative information) regarding performance as well as other financial details.

8.59   Explanatory notes have undergone significant development since being introduced. They have moved from being documents that account in detail for administrative expenditure, to being ones that are related to programs and their performance. The impetus to change the explanatory notes has in part come from the Senate, and in part has been taken up within the FMIP changes.

8.60   A lot of effort is being put into the preparation of the explanatory notes by departments. At this stage the notes are prepared formally only for detailed consideration by Senate Estimate Committees.

8.61   There is no formal mechanism for the systematic review of this performance information by the two thirds of the members of Parliament who are in the House of Representatives. Nor is the information they contain extensively utilised by either the House or Senate general purpose committees within their general inquiries.

8.62   As was noted earlier, the general purpose committees undertake inquiries that have a particular interest in policy and program effectiveness issues. These inquiries would benefit from a greater utilisation of the information contained in explanatory notes. In particular, the adequacy of the performance information presented in the explanatory notes could be assessed by general purpose committees. Such a focus would increase the pressure for performance information to be upgraded.

Annual Reports

8.63   The other important accountability document is the annual report prepared by the head of each department or agency to the relevant Minister on the operation or administration of government programs. Annual reports are tabled in the Parliament by the relevant Minister and draft annual reports often accompany explanatory notes to Senate Estimates Committees.

8.64   During 1989 two parliamentary committees presented the results of inquiries on annual reports:

.   Senate Standing Committee on Finance and Public Administration. June 1989. *The Timeliness and Quality of Annual Reports*

.   Joint Committee of Public Accounts. November 1989. *Guidelines for Departmental Annual Reports* (Report 304).

8.65   There are a number of issues relating to annual reports.

8.66   The DOF has suggested that annual reports focus on organisation capabilities and administrative performance and, as such, are not exclusively concerned with outcomes.[19] This view is not shared by all groups including the Joint Committee of Public Accounts which would like to see more information on performance in annual reports.

8.67   This raises the issue of the overlap between the explanatory notes and annual reports and the extent to which the *two documents can be better co-ordinated within departments.*

8.68   In its publication on annual reports the Senate Standing Committee[20] recommended 'a regular program of scrutiny by the legislative and general purpose committee's of the Senate based on annual reports'. This commenced in the 1989 Budget sittings. A similar recommendation was made by the Joint Committee of Public Accounts[21] that 'The Standing Committees of the House of Representatives be assigned the ongoing role of conducting reviews of departmental operation based upon the annual reports of departments'. Some joint consideration of annual reports by House and Senate committees also would be of value.

Conclusions

8.69   The Committee concludes that:

.   to improve the quality, and reduce the quantity, of formal accountability information coming to the Parliament, there is a need to resolve its purpose and content and reduce overlap;

- the House and Senate general purpose committees make greater use of the Explanatory Notes within the context of their general inquiries. The preparation and distribution of the Explanatory Notes should reflect this wider usage. Their name should be changed to Program Performance Statements to reflect their wider function; and

- there should be greater scrutiny by parliamentary committees of annual reports, including consideration of joint scrutiny by House and Senate general purpose committees.

Recommendations

8.70   **The Committee recommends that:**

- **the Department of Prime Minister and Cabinet and the Department of Finance give high priority to resolving the purposes, content and overlap between the explanatory notes and annual reports;**

- **the House of Representatives, through its committees, should increase its scrutiny and use of performance information in the explanatory notes by making greater use of the information in their general inquiries;**

- **the preparation and distribution of Explanatory Notes reflect the wider usage of the documents by parliamentary committees and their name be changed to 'Program Performance Statements'; and**

- **the House of Representatives, through its committees, should increase its scrutiny of departments and agencies by reviewing their annual reports. Consideration should be given to joint reviews of annual reports with relevant Senate committees.**

Australian National Audit Office

8.71   The ANAO is an essential part of the public accountability system with statutory responsibility to report to the Parliament on the integrity, economy and efficiency of the financial operations of executive government. In this section the Committee does not undertake a broad review of the ANAO. This task was completed last year by the JCPA and the Committee broadly endorses that review's findings. The focus in this report is specifically on the role of the ANAO in assisting the Parliament in its accountability responsibilities.

8.72   The JCPA review of the ANAO concluded that the ANAO was essential for the maintenance of the accountability of government organisations and officials to the Parliament. It also noted the lack of resources which the ANAO had to undertake performance or efficiency audits. It was stated that the resources for efficiency audits were so inadequate that it would take 40 years to conduct an efficiency audit of all government programs with income or expenditure greater than $10m.

8.73   The level of adequate resources for the ANAO to conduct sufficient efficiency audits is worrying in view of the FMIP changes and the role of Parliament in scrutinising administrative efficiency and effectiveness. The Auditor-General has noted that the consideration given to his reports by parliamentary committees is 'an important mechanism for reviewing the proper exercise of powers and the effective, efficient and economical use of public resources by Ministers and relevant officers'.[22]

8.74   The Committee has noted the importance of information coming to the Parliament having been filtered through processes of evaluation and review. The reports of performance audits of the Auditor-General, provide information to the Parliament that has received independent evaluation.

8.75   Efficiency audits, in particular, come closest to examining the issues of performance of government programs that are central to FMIP. Although the ANAO is not empowered under its legislation specifically to address issues of effectiveness, it is fair to say that recent project and efficiency audits have extended the focus on efficiency to such an extent that issues of effectiveness can be raised within subsequent parliamentary reviews. Comments in the reports about the inadequacy of performance indicators and management information systems have been followed up in subsequent parliamentary inquiries. This Committee has, more than most, pursued inquiries that have arisen out of Auditor-General's reports.

Conclusions

8.76   The Committee concludes that the ANAO performs an essential role in supporting accountability of the Executive to the Parliament. To further enhance this role it is necessary that:

.   the ANAO be given adequate resources, not only to fulfil statutory compliance and regulatory auditing, but also to conduct more efficiency audits in relation to public administration; and

· in undertaking efficiency audits, the ANAO
continue to provide comments on the adequacy of
performance indicators and management information
systems.

Recommendations

8.77   **The Committee recommends that:**

· **the ANAO be given adequate resources to conduct
more efficiency reviews of government programs,
incorporating consideration of the adequacy of
performance indicators and management information
systems.**

Accountability within Departments

8.78   The Committee has devoted considerable attention in
this chapter to external accountability, particularly to the
Parliament. But accountability within departments is crucial to
FMIP.

8.79   Devolution has pushed the lines of responsibility lower
within departments to program and sub-program managers. Along
with responsibility and authority to use a set of resources to
achieve specified goals, there is a requirement to provide an
account of performance. Within all departments corporate
management and reporting structures are being set up to achieve
improved accountability reporting.

8.80   The benefits of devolution are seen to be that it
enables a more precise alignment between authority,
responsibility and accountability. This is dependent on the
alignment of program structures with organisational
responsibility so that a particular individual can be held
responsible for particular programs.

8.81   However, the new arrangements call for extensive
reporting requirements. DILGEA told the Committee that under the
new accountability arrangements the level of reporting required
can at times be quite onerous.[23] Both DILGEA's Victorian
Regional Office[24] and the DOF[25] confirmed this view and advised
that regional offices are particularly concerned about the volume
of reporting required.

8.82   The development of management information systems
provides the key to simplifying the reporting requirements
associated with devolution of responsibility and
accountability.[26]

8.83   As management information systems cannot be introduced nor designed to solve these problems instantly, departments have used other strategies such as:

- securing greater returns from the explanatory notes as a reporting tool within the Department;[27]

- rationalisating between the reporting requirements for the explanatory notes and annual reports; and

- putting emphasis on exception reporting for management instead of having the vast number of reports.[28]

8.84   The Committee has emphasised earlier in the report the importance of putting in place appropriate management information systems. These are also required to fulfil both internal and external accountability obligations. It is important that the information systems relating to internal accountability are closely linked to those for external accountability to ensure consistency and reduce overlap or duplication. This may also assist in reducing the volume of information being generated for internal accountability.

8.85   A final issue relating to internal accountability is performance appraisal at the individual level. Performance appraisal for SES officers was introduced in 1989/90. It is gradually being extended to other senior Administrative Service Officers and professional equivalents. Performance pay also is expected to be introduced for all these groups in 1990/91.

8.86   The purpose of performance appraisal and performance pay is to link accountability requirements to the performance of individual managers. It is seen by some as providing a crucial link between the achievement of government objectives and the work of individual public servants. However, a recent report by the Senate Standing Committee on Finance and Public Administration questioned whether performance based pay will produce net benefits and expressed concern at the speed with which the proposal was being implemented.

Conclusion

8.87   The Committee concludes that internal accountability has imposed significant reporting requirements on departments and agencies. In establishing and refining management information systems, departments and agencies should ensure a close linkage between the information generated for the purposes of internal and external accountability. This should enable reporting requirements to be as simple as possible given the accountability demands being made.

Recommendation

8.88   The Committee recommends that, in establishing management information systems, departments and agencies ensure a close linking of the information for internal and external accountability reporting.

ENDNOTES

1. Tokyo Declaration of Guidelines on Public Accountability, AGPS, Canberra, 1986, p.3

2. ibid, p.27

3. R J L Hawke, 'Challenges in Public Administration', AJPA, Vol 48, Mar 1989, pp.12-13

4. JCPA, Auditor-General: Ally of the People and Parliament, p.9

5. Quoted in R Wettenhall, 'A Missing Link?, Public Administration and the Managerialist Tradition', Canberra Bulletin of Public Administration, 1985, p.121

6. ibid

7. Senate Estimates Committee Seminar, pp.29-30

8. House of Representatives Practice, p.46

9. DOF Annual Report, 1987-88, p. 16

10. Keating

11. Evidence, p. 254

12. Evidence, p. 254

13. *1988 FMIP Report*, p.91

14. D Shand, 'The Public Service Entrepreneur and Risk Taker: the Restraints and Opportunities', July 1989 and Morris, 1989, p.8

15. M E Aldons, 'Classifications of Parliamentary Committees', AJPA, Vol.64(4), December 1985, pp.333-51

16. The Auditor-General: Ally of the People, the Parliament and the Executive?

17. J Uhr, 'Corporate Management and Accountability'

18. J Uhr, 'The Work of Evaluation and the Evaluation of Work', p.8

19. Keating and Holmes, 1989, p. 12

20. Senate Standing Committee on Finance and Public Administration, *The Timeliness and Quality of Annual Reports*, June 1989, p.40

21. Joint Committee of Public Accounts, *Guidelines for Departmental Annual Reports*, 1989, p.7

22. 'Auditor-General: Ally of the People, the Parliament and the Executive? p.32

23. Evidence, p.S39

24. Evidence, p.296

25. Evidence, p.15

26. Evidence, p.S198

27. Evidence, p.27, S39

28. Evidence, p.15

9. RESOURCE MANAGEMENT TRAINING

Need

9.1   Resource Management Training was identified as a critical issue by all participants in the inquiry. As a result of the FMIP changes resource management now impacts on a wider range of managers and requires a broader range of skills than earlier systems aimed primarily at budgetary control. This aspect was emphasised by DCSH when it stressed that resource management training involves the imparting of skills that staff need to manage in an FMIP environment.[1]

9.2   The Committee has noted in earlier chapters that many of the structures associated with the FMIP changes have been put in place. However, the FMIP is also about changing the attitudes and approaches of managers. There are indications that this area needs greater development. Training and skills development will assist this developmental process significantly.

Issues

9.3   There were a number of views expressed consistent with this position. These included:

- the new managerialism in general and the FMIP in particular neglect the human dimension - staff and clients;

- criticisms of the DOF resource management training as 'patchy' and focussed primarily on awareness of FMIP principles;

- the need for greater attention to middle managers - particularly those in the regions; and

- the provision of funding for training.

9.4   All of these views raise a number of issues that the Committee discusses in this chapter.

9.5   Those issues include:

- who should be responsible for training and skills development of staff and what this entails;

- to what extent should resource management training stand apart from overall skills development and training needs, responsibilities and arrangements;

- what should be the training responsibility of Central Agencies; and

- the quality and cost of training.

Responsibility for Training

9.6   The present situation in respect of the responsibility and accountability for the training and development of staff reflects the following:

- each department has been and is responsible for training (or arranging training) of its staff;

- Departments were supported in that responsibility by the Public Service Board (PSB) (and more recently by the DOF), which conducted and arranged programs centred on the awareness and/or knowledge of particular subject areas that had service-wide application, and to a limited degree provided or arranged some direct experience to back up that training;

- with the abolition of the PSB in 1987 that organisation's central and regional training and staff development functions were largely devolved to departments except for example, the training associated with the Senior Executive Service and its feeder groups;

- resource management training (and its related components such as evaluation) has continued service-wide as a responsibility of the DOF as has advice and assistance in relation to the FMIP and associated changes; (some agencies - notably ATO and DAS - have, however, sought to increasingly build such training into their operations)

- the government has provided $10m for additional training of middle managers (with a general emphasis on the regions) with departments being required to submit training proposals to the PSC for approval and funding;

- the recent establishment of the Joint Australian Public Service (APS) Training Council to advise on existing and future skills requirements, skills recognition and training to support award restructuring in the service stemming from the SEP and the government's national training reform agenda in the APS; and

- the August 1990 announcement of the allocation of a further $6m over 3 years for competency based and core skills training in the public service.

Departmental Role

9.7   The Committee acknowledges the wide and continuing training and development needs of staff - a need which Commonwealth departments and agencies have in common with all large and complex organisations dependent on skilled, motivated and concerned staff.

9.8   The most important resource an organisation has is its people. Training and development should, however, not be seen as an 'add on' to a department's functions and activities. A department's training strategy grows out of the organisation's mission and should be seen as integral to the human resource planning and management objectives of the corporate plan. Those objectives, common to both public and private sector organisations, should focus on such issues as -

- how can effective motivated people be attracted, retained and developed?

- what skills, knowledge and motivation are necessary to meet the departments objectives (both service-wide and agency specific) and how are these developed, maintained and reviewed?

- how can the organisation's people be motivated rewarded, cared for and managed?

- how effective are the organisation's people, its organisations, performance and management?

- how is the organisation best structured to achieve its objectives, including its human resource objectives?

9.9   The Committee believes it is necessary to stress the need for early exposure of staff to management experience – probably in small operational type units. Such opportunities help build confidence, judgement and decision making capacity. Properly integrated into the organisation's training and development strategy it provides an important element in addressing the human dimension.

9.10   The emphasis on management improvement in the public service, including corporate planning, the devolution in personnel management (recruitment, promotion, discipline, appraisal, performance pay, redeployment) and organisational structures, and the more recently articulated structural efficiency principles (SEP) provide an opportunity (and indeed a requirement) to link the strategic management of personnel into the corporate management cycle.

9.11   The Committee believes that departments are increasingly recognising the importance of the skills required to support and maintain the major changes that are occurring. The broader human dimension referred to in 9.1 above and the particular needs of organisations, whether service-wide or agency specific, can most effectively be addressed within the departmental context and through training and development strategies which:

> . underpin the organisation's mission, corporate plans, personnel objectives and skill requirements; and

> . incorporate core competencies

>> – of a service-wide nature adapted to the agency's needs

>> – of an agency specific nature that are directed to the efficient and effective operations of the department.

9.12   By way of reinforcement, it is worth drawing attention to the key issues still calling for major attention identified by the 1989 survey on human resources development in the APS. These were listed in the PSC's Report on Human Resource Development in the APS (March 1989) and are:

> . lack of adequate involvement of Heads of Service;

> . lack of overall purpose in the application of HRD;

> . inadequate level of training for both non-SES and SES;

. continued low resource priority for HRD;

. inadequate understanding of the wider scope of HRD; and

. inadequate data available for informed management of HRD.

Central Agency Role

9.13   Responsibility for training and skills development resting with departments is not inconsistent, in the Committee's view, with central agencies exercising particular training responsibilities nor with the presently claimed critical need for continuing resource management training.

9.14   The Committee recognises that when significant service-wide changes are introduced by Government, special emphasis needs to be given to the training and related requirements to implement those changes. The central agency responsible for implementing the changes would play a key role in devising curricula and material directed to various levels of awareness and competency and may also need to play a significant, indeed leadership role, in the provision of direct training required to introduce and bed down those changes. In doing so that agency would need to call on specialist training skills to develop curricula and materials and to provide direct training to others.

9.15   The training strategy adopted by the central agency to implement changes should, however, be given effect in such a way as to promote the integration of the changes into each department and into each department's on-going training arrangements. This approach will increase the likelihood of the changes becoming an integral part of the organisation's culture and behaviour. The training strategy should also aim at stimulating the development of some officers in each department particularly knowledgeable about the changes and skillful in their application to provide a resource for continued skills development activities. Such an outcome will then enable the central agency to concentrate its efforts on improving curricula and materials, explaining changes to policy and providing guidance, occasional support and assistance.

9.16   The *1988 FMIP Report*[2] points out that both the DOF and the former PSB worked jointly with departments on a wide range of management improvement issues including FMIP principles and resource management techniques over the previous 4 years. The Report went on to say that the DOF will continue to run training

programs on key aspects of FMIP, assist individual agencies develop their own programs, and provide training input to those programs aimed primarily at raising awareness of FMIP and advising on new developments in the program.

Balance Between Training Roles

9.17   There has been come questioning of the placement of prime responsibility for staff training on departments. The DTC noted in its submission that:

> ... recent trends in the United States also show there is a tendency to re-centralise certain activities. These types of activities include graduate recruitment, training and development and other similar functions.[3]

In evidence[4] the DOF confirmed that it had been following overseas trends and restated the reasons for devolving responsibilities for resource management. DOF did not, however, specifically address this issue in relation to training and development, although it expressed a preference for devolution in its *1988 FMIP Report*.

9.18   The Committee believes that the approach indicated in paragraphs 9.7 to 9.16 above in respect of departments and central agencies provides a balance between the departmental and central agency roles. The Committee is of the view that ultimately departments have responsibility for providing resource management training as part of their overall corporate responsibility. It is in this way 'that the emphasis and focus on people which characterises the best private sector companies (but) is not also shared by the public service under managerialism' can be effectively developed and maintained, in the public sector.[5] Departments should, of course, have access to central agencies for specialist assistance.

9.19   The Committee is aware that the method of operation of the Joint APS Training Council has yet to become evident – similar issues may emerge.

Quality of Training

9.20   Aspects of DOF's training programs were criticised in evidence to the Committee. For example ATO stated:

> I think it (assistance from the DOF) is patchy. It certainly has made available some of its service-wide seminars and training

packages and so on over the last three or
four years, and we have dipped into them.
But frankly, I think that Department is just
not resourced for anything closer than
that.[6]

9.21   The DOF accepted that some of its early programs may
not have been as inspiring as they could have been and emphasised
theoretical issues rather than practical guidance. However, the
DOF assured the Committee that those criticisms are no longer
valid.[7]

Conclusions

9.22   The Committee concludes that the most appropriate
approach to resource management training is to have a
constructive interaction between departmental and central
agencies – in the context, however, of responsibility for staff
training and development resting with the employing department
or agency. The Committee asks that the APS Management Advisory
Board, departments and agencies take this view into account and
the need for co-ordination and planning of activities in
developing approaches to resource management training. While the
Committee assumes that the co-ordination aspects will be
addressed by all parties, it asks that the MAB particularly
consider this aspect and the inclusion in corporate plans of HRD
goals and objectives.

Recommendation

9.23   **The Committee recommends that the APS Management
Advisory Board give consideration to encouraging departments and
agencies to include human resource development goals and
objectives in their corporate plans.**

Costs

9.24   In its submission[8] DAS noted that the costs of
providing appropriate training could be significant and suggested
that ... central agencies sponsoring major changes such as FMIP
should consider the amount of training needed and provide
commensurate funding.

9.25   The Committee put this view to the DOF. The DOF did not
accept the suggestion and said:

'the retention of savings from efficiency
gains has given agencies the opportunity to
make additional resources available to use
for crucial areas such as training ...

> Training expenditure would be simply part of
> running costs and subject to managerial
> discretion ...
>
> (More specifically) it should be noted that
> the Government determined, in respect of
> Program Management and Budgeting (a core
> element of FMIP), that additional resources
> should not be provided for implementation
> ...
>
> Finance itself has ... undertaken
> considerable across-the-service training ...
> and has taken a catalytic role in
> disseminating information ... This training
> on FMIP initiatives has been, and still is,
> largely provided free of charge ...[9]

Despite DOF's views it appears that training has not received the emphasis it should have had from departments and agencies. The discipline on spending imposed by the Running Costs System and the efficiency dividend, has perhaps seen departments and agencies give resource management training a lesser priority than other areas.

9.26   The training needs of middle managers in regional offices has been widely identified as a particular problem. The *1988 FMIP Report*[10] noted that a recent survey by the DOF had highlighted this issue. This view was confirmed during the Committee's discussions and public hearings with regional managers in Sydney, Melbourne and Adelaide. The problem is being addressed at both the regional and national level.

9.27   The problem was recognised nationally in the 1989-90 Budget with an additional $10 million being allocated for training to commence in 1990-91 with priority being given to the development of middle managers in the regions. This funding is being managed by the PSC which is also assisting in the development of specific proposals. Both the DOF and the PSC told the Committee that resource management training is to be included.[11] More recently, a further $6m over 3 years was allocated for competency based and core skills training in the public sector under the auspices of the Joint APS Training Council. It is difficult to assess the potential impact of these additional funds since there is currently no estimate of the training budgets for public service departments and agencies.

Recommendation

9.28   The Committee recommends that:

- departments and agencies take account of the wide scope of human resource development and strengthen their planning in this regard so as to relate training more directly to program activities and objectives;

- departments and agencies include resources for resource management training in their allocations for human resource development;

- the government continues supplementary funding for training through the Public Service Commission and the Joint APS Training Council; and

- departments and agencies collect information on training expenditure and budgets and advise these in Annual Reports and Explanatory Notes respectively.

ENDNOTES

1. _Evidence_, p.157
2. *1988 FMIP Report*, pp.94-96
3. _Evidence_, p.S234
4. _Evidence_, pp.S258-S259
5. Baker 1989 p.55
6. _Evidence_, p.232
7. _Evidence_, pp.431-432
8. _Evidence_, p.S69
9. _Evidence_, p.S268
10. *1988 FMIP Report*, p.27
11. _Evidence_, pp.433 and 249 respectively

10. ACHIEVEMENTS OF THE FMIP AND CONCLUSIONS

10.1   In this chapter the Committee presents its overall assessment of the FMIP reflecting the discussions and conclusions reached in the earlier chapter. In doing so, the Committee acknowledges that its review has been a broad one which has considered general issues of FMIP development and implementation. As a result, the Committee's assessment is also broad. The Committee notes that achievements of the program but also refers to those areas that need further development.

10.2   The origins of this inquiry lay in the referral of the *1988 FMIP Report* to the Committee. The Committee concludes this chapter by briefly reviewing the 1988 Report, by pointing to future directions for FMIP and by recommending a further review of FMIP in 1992.

Achievements of FMIP

10.3   In making its overall assessment of the achievements of the FMIP, the Committee looked at three areas overall resource allocation for which savings used as a proxy indication, management improvements and service delivery to clients.

10.4   While it is not possible to quantify the savings in programs which have resulted from the introduction of FMIP, the DOF suggested that some indications of savings can be implied by the following:

- the efficiency dividend is an element of the FMIP which has led to savings of the order of $60 million per annum;

- cash management initiatives have resulted in savings to the Budget of an estimated $180 million per annum since 1985-86; and

- there are also savings from a resource usage viewpoint - for example, in the DOF between 1987-88 and 1988-89 the number of accounts processed has diminished by over 1000 due to streamlining of purchasing procedures[1]

10.5   In addition, savings from the FMIP have an impact on all elements of program management as noted by the DSS in its submission:

... changes in DSS that may be put under the broad
interpretation of FMIP have resulted in considerable
savings and improved efficiencies. This is evidenced
by ... total outlays and levels of staffing, salaries,
and other running costs.[2]

10.6   The Committee considers that the FMIP changes also have
improved public sector management. Major achievements can be
divided into two areas - developing a more flexible budgetary and
regulatory framework and changing the focus of management to one
concerned with greater effectiveness and improved performance.

10.7   In the first area, the achievements include:

.   streamlining and rationalising budget allocation
     and appropriation processes;

.   putting in place the structures for program
     management and budgeting;

.   simplifying rules regulating public financial
     management;

.   freeing up the restrictions on managers to use
     administrative resources more flexibly;

.   enhancing the awareness of Ministers and their
     managers regarding priorities and the costs of
     existing and proposed activities; and

.   providing a rational framework within which
     Ministers can collectively decide on overall
     priorities, and level and composition of
     government spending in the short to medium term.

10.8   In the second area the achievements are more modest,
but include:

.   focussing attention more directly on the purposes
     and achievements of government programs; and

.   enhancing the information available for
     accountability purposes.

10.9   It can be seen from this list of achievements in
improving management that, to date, much of the success in FMIP
implementation has been in putting structures in place. As noted
in earlier chapters the achievements from putting structures in
place are significant. The Committee will refer in the next
section to some weakness that exist in integrating the structural
changes into the practices of departments and agencies.

10.10   Finally, the Committee was unable to form a balanced
view of the extent to which the FMIP has led to improvements in
service delivery to clients as there was insufficient evidence
available to the inquiry. The client groups that presented
evidence to the Committee – the RSL and ACTCOSS – had strong
reservations about whether the FMIP is improving services.   The
RSL stated that it:

> ... considers that the costs of constant reorganising
> in order to satisfy FMIP principles, have outweighed
> the gains in terms of savings and services to people.[3]

10.11   The Committee believes that at this stage it is not
possible   to   validate   this   criticism;   only   recently   have
departments embarked on programs to systemically assess the
efficiency and effectiveness of their service delivery. Enhanced
performance information that takes account of client perspectives
can be expected to provide a better basis for assessment of the
impact of service delivery.

Areas requiring further development

10.12   While noting the significant achievements of the FMIP
changes, the Committee also considers that there is a need for
further development in a number of areas. The Committee considers
that much more has yet to be achieved by ensuring the changes
become integrated into the deep practices of departments and
agencies.

10.13   In the *1988 FMIP Report* the DOF itself noted that the
task of change had just started. While the DOF stated that the
broad goals of the changes had been agreed and the foundations
for improved management systems established, major issues now to
be addressed were those of 'how to make the system work at
working levels in departments'.[4] DOF suggested three broad areas
for future concentration:

- performance   information   and   enhanced
  accountability;

- performance incentives; and

- the   development   of   departmental   management
  systems.[5]

10.14   The Committee agrees that these broadly identify the
areas of future concentration. In the following discussion it
outlines   in   more   detail   the   areas   that   require   further
development.

10.15   There needs to be a better integration of FMIP with other areas of public sector reform such as human resource management and industrial relations in recognition that motivated and committed staff are crucial to an organisations overall effectiveness and performance. As a result the Committee considered whether the program should be retitled as the Resource Management Improvement Program to reflect the broader resource management focus which departments and agencies are pursuing. On balance the Committee considered that the title FMIP was generally understood and accepted in the public service. The FMIP is recognised as a part of wider reforms and the Committee considers a change of title to be unnecessary.

10.16   Greater emphasis should be placed in the next phase on the practical rather than theoretical issues of FMIP. A more concerted effort has to be made in the fostering of 'best practice'. However, earlier chapters indicate more conceptual development is needed in the areas of risk management and accountability and recognition in the FMIP methodology of defining results in public policy terms.

10.17   There should be a greater focus on skills development as the means of changing the approaches of managers and of bedding in better management practices within departments.

10.18   The approach that has now developed in the APS for enhancement of skills and development of human resources is to provide strong roles for central support through DOF, PSC and the APS Joint Council on Training but nevertheless placing the responsibility for ensuring staff are adequately trained and developed with the employing departments. If this is to be successful, it will require a substantive strengthening of departmental resources devoted to training and staff development and a new emphasis on the role and support of senior management in this regard.

10.19   The mix will provide a challenge for co-operative development and co-ordination. On the other hand, the diversity of input may result in a generally enriching process for all.

10.20   Good performance information has the potential to inform government decision-making and enhance parliamentary scrutiny. The Committee recognises the difficulty and developing good performance information. However, this is an area that requires concerted effort, particularly in relation to information about the effectiveness as well as the efficiency of programs. The Committee would expect to see substantial progress within two years.

10.21   The development of appropriate management information systems is essential to devolved management, implementation of user charging and the monitoring of performance for evaluation and internal and external accountability. The Committee considers that departments and agencies should make significant efforts to develop appropriate management information systems to meet these needs.

10.22   Evaluation is a critical element that requires further development. The linking of evaluation into the structures for external accountability should be more consistent and systematic.

10.23   Finally,   the   Committee   considers   that   external accountability requires further development. There is scope for further improvement and rationalisation in the accountability information   being   provided   to   the   Parliament.   It   is   also important   that   this   information   be   linked   in   to   existing parliamentary scrutiny processes to ensure a greater focus on issues of performance.

Conclusion

10.24   The Committee considers that the various management reforms   embodied   within   the   FMIP   have   been   implemented sucessfully in a number of key areas. However, as yet they are not fully operational in all departments. Many departments are still a considerable way from achieving the full benefits from the reforms. The discussion in this section refers to those areas which the Committee considers require further development. The conclusions   and   recommendations   in   earlier   chapters   provide *guidance on how the Committee sees these areas being addressed in the future.*

Review of *1988 FMIP Report*

10.25   The report is in four parts: Parts 1 to 3 outline progress since the 1986 *FMIP Report*, achievements, and future priorities   and   directions   for   the   FMIP;   and   Part   4   gives departmental statements on progress in improving management under the FMIP. As such, this latest report broadly follows the style and content of the 1986 volume. It draws together in a single, easily readable volume many of the major issues associated with the program and the progress of larger departments and agencies in implementing the reforms.

10.26   The report generally is considered to be timely coming two years after the first progress report on the program and at the end of Stage 1 - the awareness phase of the program.

10.27   A useful addition to the second report is the inclusion of some case studies that illustrate 'best practice' or specific issues drawn from the experience of individual departments. This addresses some of the criticism of the first report and the strategy used to implement the program, that the approach was too theoretical.

10.28   Data for the report were collected by the DOF during the period June/July 1988 using a questionnaire sent to the central offices of departments and agencies with follow-up visits by DOF officers if contributors requested. Eighteen departments and thirteen agencies responded to the survey. This response represents the larger Commonwealth departments and agencies but neglects the smaller ones. In Appendix 1 Part B of the report several smaller agencies, for example PSC, AAO, CSIRO and ABC, are listed as 'Additional Agencies In 1988 Report Survey' but no details on those agencies are provided in Part 4 – Departmental Statements. The Committee considers that smaller agencies should not be neglected in the survey and in implementing the program. It is concerned that the ANAO, which has an important accountability role in the FMIP, is not included.

10.29   Little detail[6] is provided on the basic aims and approach of the FMIP. New readers would have benefited from some additional comments on this and given the evolutionary nature of the program, this information also may be of interest to those more familiar with the issues.

10.30   Another useful addition would have been an index to the main issues discussed in the report. This basic tool for accessing information is essential in a document the size of the report which also covers a wide range of complex and interrelated issues.

10.31   The report also devotes little attention to the social and human issues and problems associated with the program.

10.32   Overall the report improves on the largely descriptive style of the 1986 volume but it does not go far enough. The report presents little substantive evaluation of the program. The Committee appreciates the DOF's reluctance to make assessments of the performance of individual departments and agencies.[7] However, more general overall assessments and conclusions by the DOF would have been a useful addition to the report. Evaluation of the effectiveness of FMIP is becoming more necessary and easier given the DOF's emphasis on program evaluation and the results that will emerge from these evaluations.

10.33   Despite the valuable inclusion of Part 4 - Departmental
Statements and the recognition on the cover of the report
'Department of Finance in Co-operation with Departments and
Agencies' - the *1988 FMIP Report* still comes across as a DOF
document with issues presented from a DOF perspective. In fact,
even the departmental statements are prepared according to a DOF
set of headings. While the Committee recognises the need and
value for some consistency in those entries for comparative
purposes between departments and for comparing one department
from year to year, a department should have some flexibility and
scope in the coverage of its entry.

10.34   Departmental statements currently provide few details
on departmental successes, criticisms and problems with the
program and there is no overall assessment of a department's
progress with the reforms. Information is presented very much
from a central office perspective with little attention given to
progress with the reforms in the regions. There are also only
minor references to departmental priorities for future directions
with the program despite Part 3 of the report being devoted to
the overall future directions of FMIP. This type of
information was in fact presented to the Committee during the
inquiry. Its inclusion in the FMIP report would have improved the
document as a reporting tool for both departmental FMI programs
and the overall FMIP.

10.35   In its *1989-90 Explanatory Notes*[8] the DOF states that
the FMIP is scheduled for formal evaluation during 1990. The
Committee's review appears to have replaced this evaluation and
the Committee is not aware of a timetable for future evaluation
of the program.

Conclusions

10.36   The Committee commends the Department of Finance,
departments and agencies for their efforts in preparing the
1988 FMIP Report. This progress report is a worthwhile exercise
in accountability for individual departments and the program *as*
a whole. However, the Committee's comments on the 1988 review
should be addressed in forthcoming reviews.

10.37   The Committee considers that, following its review, the
FMIP *as a whole should be formally reviewed again in 1992. To*
take account of the Committee's comments on the 1988 review, the
Committee considers that the 1992 review should be undertaken by
an organisation other than DOF and should be a full-scale
effectiveness review of the program. In doing so it should focus
more closely on:

> .   a   quantification   of   the   savings   which   are
>   resulting from the program;

- the achievevents of departments and agencies with the program; and

- the views of clients as to the impact of the FMIP on service delivery.

Recommendations

10.38   The Committee recommends that a full-scale, independent effectiveness review of the FMIP be undertaken in 1992. The review could be undertaken under the direction of the Management Improvement Advisory Committee. The review should give close attention to:

- a quantification of the savings which are resulting from the program;

- the achievevents of departments and agencies with the program; and

- the views of clients as to the impact of the FMIP on service delivery.

STEPHEN MARTIN, MP

CHAIRMAN

September 1990

ENDNOTES

1. _Evidence_, pp.S251-S252

2. _Evidence_, p. S200

3. _Evidence_, p. S5

4. *1988 FMIP Report,* p.83

5. *1988 FMIP Report*, pp.83-4

6. *1988 FMIP Report*, p.6

7. _Evidence_, p. 18

8. 1989-90 Explanatory Notes, p.37

Appendix A
List of submissions

No.	Name of person/organisation
1	Returned Services League of Australia
2	Australian Government Retirement Benefits Office
3	Australian Society of Accountants
4	Royal Australian Mint
5	Public Service Commission
6	Australian Broadcasting Corporation
7	Department of Immigration, Local Government and Ethnic Affairs
8	Department of Veterans' Affairs
9	Department of the Arts, Sport, the Environment, Tourism and Territories
10	Australian Customs Service
11	Australian Taxation Office
12	Department of Administrative Services
13	Australian Audit Office
14	Attorney-General's Department
15	Department of Primary Industries and Energy
16	Department of Industry, Technology and Commerce
17	Dr Martin Painter, Department of Government and Public Administration, University of Sydney
18	Department of Employment, Education and Training
19	Department of Defence
20	Defence Science and Technology Organisation
21	Department of Administrative Services: Supplementary Submission

22   Dr Martin Painter,
      Department of Government and
      Public Administration,
      University of Sydney: Supplementary Submission

23   CSIRO

24   Department of Social Security

25   Public Sector Union

26   Department of Aboriginal Affairs

27   Department of Transport and Communiations

28   Public Sector Management Institute,
      Monash University

29   Attorney-General's Department:
      Supplementary Submission

30   Department of Administrative
      Services: Supplementary Submission

31   Department of Finance:
      Supplementary Submission

32   Returned Services League of Australia:
      Supplementary Information

33   Australian Government Solicitor
      Attorney-General's Department:
      Supplementary Information

Appendix B
List of exhibits

No.	Description	Person/organisation*	Date+
1	Australian Customs Service: Corporate Plan 1989-90	ACS	3.8.89
2	Department of Finance: Corporate Plan 1986	DOF	3.8.89
3	Achieving the Department of Finance's Corporate Plan: Role of Staff. Jan 1988	DOF	3.8.89
4	No. 11: Program Budgeting and Policy Areas. Program Budgeting Issues. July 1986	DOF	3.8.89
5	FMIP Steering Committee	DOF	3.8.89
6	FMIP Interdepartmental Advisory and Development Committee (IADC)	DOF	3.8.89
7	Materials Research Laboratory Structure and Information 1988	DSTO	3.8.89
8	A Guide to Surveillance Research Laboratory	DSTO	3.8.89
9	Weapons Systems Research Laboratory: Information Handbook: Organisation May 1988	DSTO	3.8.89
10	Electronics Research Laboratory: Organisation and Information	DSTO	3.8.89
11	Aeronautical Research Laboratory: Structure and Information	DSTO	3.8.89

* Name of the person/organisation who provided exhibit
+ Date exhibit received as evidence

12	DSTO Australia: A Brief for the Subcommittee on the Financial Management Improvement Program. 24 July 1989	DSTO	3.8.89
13	The Financial Management Improvement Program in the Department of Immigration, Local Government and Ethnic Affairs - A Case Study of Devolution	DILGEA	3.8.89
14	Devolution - Pitfalls and and Potential. by D. O'Connor	ACS	3.8.89
15	Cost Effectiveness of Administrative Support Calls and the Effects of Devolution. by B. Macoustra, formerly with the Australian Customs Service	ACS	3.8.89
16	Devolution - the ACS Experience: One Manager's Perspective. by D. Griffiths	ACS	3.8.89
17	Devolution. by J. Galloway	DOF	3.8.89
18	Devolution of Corporate Services Functions in the Department of Transport and Communications. by D. Mildern	DTC	3.8.89
19	A Devolution Case Study: Australian Taxation Office. by R. McDonald	ATO	3.8.89
20	Revised Program Structure and Performance Indicators	ABC	17.8.89
21	DCSH Internal Business Operating Rules	DCSH	17.8.89
22	Collectors Regional Management Information System	ACS	31.10.89
23	New Directions for DSTO. June 1989	DSTO	31.10.89
24	Towards a Fairer Australia: Social Justice and Program Management: A Guide	PM&C	31.10.89

25	DSTO – Practising Program Management: by A. Hawke	A. Hawke	31.10.89
26	Public Administration and Private Enterprise Models. by John Tomlinson	ACTCOSS	31.10.89
27	Modern Government Administration: Legends, Legacies, Leadership. Text of Address to New Zealand Senior Executive Services. September 1989	Mr J. Nethercote	31.10.89
28	Program Budgeting Manual	DAA	31.10.89
29	PMB Information Bulletin Nos 1 and 2, September. October 1989	Defence	31.10.89
30	Evidence by Department of Social Security before the Subcommittee on Financial Management Improvement Program. 31 October 1989	DSS	31.10.89
31	Finance Circular No. 1989/23. Circular Memorandum to Departments. Performance Guarantees	AAO	2.11.89
32	Corporate Plan 1989-90 to 1991-92. Australian Taxation Office	ATO	2.11.89
33	Corporate Direction into the '90s. September 1989 (Booklet)	DSS	9.11.89
34	Corporate Direction into the '90s. Social Security – People Making the Difference. September 1989 (Pamphlet)	DSS	9.11.89
35	Social Security Portfolio Program Statements. October 1989	DSS	9.11.89
36	Social Security's Corporate Direction Managers Guide	DSS	9.11.89

37	Corporate Direction into the '90s. Social Security – People Making the Difference. September 1989 (Poster)	DSS	9.11.89
38	Corporate Direction into the '90s. September 1989 (Corporate Television Unit) (Video)	DSS	9.11.89
39	DILGEA, Victorian State Office Statistics. September 1989	DILGEA Victorian State Office	9.11.89
40	Australia's First Research Institute for the Study of Public Sector Management. Public Sector Management Institute, Monash University (Brochure)	PSMI	22.11.89
41	Report on Activities 1988-89. Public Sector Management Institute	PSMI	22.11.89
42	Monash University. Graduate School of Management. 1990	Monash University	22.11.89
43	Finance Skills for Program Managers in the Public Sector: Course Notes. June 1989. Public Sector Management Institute	PSMI	22.11.89
44	The Corporate Plan. Department of Veterans' Affairs	DVA	22.11.89
45	Report of Progress Against the DVA Corporate Plan. Department of Veterans' Affairs. November 1988-July 1989	DVA	22.11.89
46	Reconstituting Public Bureaucracies: The Residualisation of Equity and Access. Revised and elaborated version of a paper presented to RAIPA National Research Forum. Canberra. 18 November 1989	Dr A. Yeatman	30.11.89

Appendix C
List of witnesses appearing at public hearings

Witness/organisation	Date(s) of appearance
Australian Audit Office	
Mr John Casey Taylor Auditor-General	1.11.89
Mr Gregory Malcolm Williams First Assistant Auditor-General	1.11.89
Australian Broadcasting Corporation	
Mr David Hill Managing Director	3.8.89
Mr Peter Lidbetter General Manager Finance	3.8.89
Mr Ian McGarrity Controller of Television Resources and Services	3.8.89
Australian Customs Service	
Mr John Townsley Hawksworth National Manager Coordination and Services	15.6.89
Mr Paul Anthony Murphy Head of Inspectorate	15.6.89
Mr Denis Michael O'Connor Deputy Comptroller-General	15.6.89

Australian Taxation Office

Mr Robert McDonald
Assistant Commissioner
Manager Support Group   1.11.89

Mr Jack Wheeler
Assistant Commissioner
Management Improvement and Evaluation Branch   1.11.89

Attorney-General's Department

Mr Alan Rose
Secretary   23.11.89

Mr Stephen Skehill
Australian Government Solicitor   23.11.89

Mr Stephen Peter McDonald
First Assistant Secretary
Litigation Division   23.11.89

Department of Administrative Services

Mr Ross Stephen Divett
General Manager
Australian Property Services   22.11.89

Mr Barry Hinchliffe
General Manager
Transport and Storage Group   22.11.89

Mr Stephen Joseph Palywoda
First Assistant Secretary
Business Development Group   15.6.89

Mr Gregory Charles Weir
Assistant General Manager
Australian Property Services   22.11.89

Department of the Arts, Sport, the Environment, Tourism and Territories

Mr Anthony Blunn
Secretary   27.11.89

Department of Community Services and Health

Ms Jennifer Jane Bedlington
New South Wales State Manager   3.8.89

Mr Michael John Roche
Deputy Secretary   3.8.89

Department of Defence

Mr Michael Howard Ives
First Assistant Secretary
Resource and Financial Programs Division   31.10.89

Mr Ronald Neville McLeod
Deputy Secretary   31.10.89

Department of Finance

Mr Patrick Joseph Barrett   2.6.89
Deputy Secretary   27.11.89

Mr Russell Higgins
Adviser
General Expenditure Division   27.11.89

Mr Malcolm Roland Glennie Holmes
Acting Principal Adviser   2.6.89
General Expenditure Division   27.11.89

Mr David Arthur Shand
First Assistant Secretary
Financial Management and Accounting Policy Division   2.6.89

Department of Immigration, Local Government and Ethnic Affairs

Mr Norman Carl John Hoffman
State Director, Victoria   9.11.89

Mr Mark Austin Lynch
Acting Deputy Secretary   15.6.89

Mrs Dianne McGrath
Area Director, Geelong   9.11.89

Mrs Lucy Caroline McLetchie
Regional Director, Southern Victoria   9.11.89

Mr Vincent McMahon
Assistant Secretary
Resource Management Branch   15.6.89

Department of Prime Minister and Cabinet

Mr George Nichols
First Assistant Secretary
Corporate Services   23.11.89

Mr Peter Shergold
Acting Deputy Secretary   23.11.89

Mr David Tune
Head
Social Justice Secretariat   23.11.89

Department of Social Security

Mr John Bowdler
Deputy Secretary   31.10.89

Mr Brendan Godfrey
First Assistant Secretary
Resource Management Division   31.10.89

Mr James Moore
Assistant Secretary
Resources Branch   31.10.89

Mr Victor Rogers
First Assistant Secretary
Performance and Control Division   31.10.89

Mr Derek Volker
Secretary   31.10.89

Department of Veterans' Affairs

Mr Anthony Ashford
National Program Director
Health   22.11.89

Mr Edmund Attridge
National Program Director
Corporate Services   22.11.89

Mr James Dalton
National Program Director
Benefits   22.11.89

Mr John Raymond Nethercote
Visiting Fellow
Department of Political Science
Australian National University   2.11.89

Dr Martin Painter
Senior Lecturer
Department of Government and Public Administration
University of Sydney   3.8.89

Public Sector Union

Mr David Bunn
Assistant National Secretary   9.11.89

Public Service Commission

Dr John Baker
First Assistant Commissioner   1.11.89

Returned Services League of Australia

Mr Ian John Gollings
National Secretary   2.11.89

Treasury

Mr Brian Gleeson
Assistant Secretary
Corporate Services   27.11.89

Appendix D
List of individuals/organisations involved in informal discussions/briefings

Organisation/individual	Date(s) of appearance
Australian Customs Service	
South Australian State Administration	
Mr Bruce Axford Regional Manager Coordination and Services	22.8.89
Mr Donald Fahey Collector	22.8.89
Mr Terrence Minogue Regional Manager Investigation	22.8.89
Mr Ken Walker Regional Manager Internal Revenue	22.8.89
Australian Taxation Office	
Central Office, Canberra	
Mr Jack Wheeler Assistant Secretary Management Improvement and Evaluation Branch	22.8.89
South Australian Branch Office	
Mr Ray Anders Director Corporate Support Unit	22.8.89
Mr Warren Dobson Assistant Deputy Commissioner	22.8.89

Mr Ronald Kelton
Deputy Commissioner   22.8.89

Defence Science and Technology Organisation

Central Office, Canberra

Mr Henry d'Assumpcao
Chief Defence Scientist   17.8.89

Mr John Robinson
Director-General
Science Resources Planning and Commercialisation   17.8.89

Mr Tony Taylor
Director-General
Science and Technology Programs   17.8.89

Mr Les Wallace
Member
Program Management and Budgeting Task Force   17.8.89

Corporate Services Section, Adelaide

Ms Geraldine Hough
Head   23.8.89

Electronics Research Laboratory, Adelaide

Mr Scott Allison
Director   23.8.89

Mr Richard Hartley
Manager
CMTEK   23.8.89

Mr John Pyle
Chief of Optoelectronics Division   23.8.89

Mr Bob Reichelt
Manager Administration   23.8.89

Mr Graham Thomas
Head Technical Management Unit   23.8.89

Surveillance Research Laboratory, Adelaide

Dr Harry Green
Chief of HF Radar Division   23.8.89

Mr Frank Ireland
Head Technical Management   23.8.89

Mr Dennis Lomman
Manager Administration   23.8.89

Mr Bob Ramsay
Director   23.8.89

Weapons Systems Research Laboratory, Adelaide

Mr Peter Dempsey
Manager Administration   23.8.89

Dr Doug Gray
Principal Research Scientist
Maritime Systems Division   23.8.89

Dr Roger Lough
Acting Director   23.8.89

Dr Jeremy Ranicar
Head Programs and Management Support   23.8.89

Department of Defence

Dr Alan Hawke
Head
Program Management and Budgeting Task Force   23.8.89

Department of Finance

Central Office, Canberra

Mr Malcolm Roland Glennie Holmes
Financial Management Improvement Branch   13.4.89

Mr David Arthur Shand
First Assistant Secretary
Financial Management and Accounting Policy Division 13.4.89

South Australian Regional Office

Mr Bruce Cutting
Director   22.8.89

Mr Trevor Nolan
Assistant Director   22.8.89

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Australian Journal of Public Administration, Vol.64(4),
December 1985, pp.33-51.

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February 1984. *Financial Management Improvement Program:
Diagnostic Study*. Canberra, AGPS, ix 77p 12p.
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