

# Governance Perspectives: Australia

*Interview with Andrew Podger*

Last year, Andrew Podger, the former Public Service Commissioner of Australia, spoke to *Ethos* about recent changes in thinking about governance in Australia. In a wide-ranging interview, he also discussed three challenges the public service is facing: how to handle a connected government, values and making values-based management a reality, and rethinking the capability of the Public Service. One theme common to all three challenges was the need for the Public Service to develop appropriate systems of accountability for new government agencies and for non-government agents and partners. An edited excerpt of the interview follows.

## How would you describe the principles of governance in your country?

**W**hen we talk about governance, our auditor general uses the phrase “performance and conformance,” which I think is quite a useful way of looking at governance. Performance is about how to have a results-based public sector, management by objectives. It is about being more flexible and agile to get results, so we use a performance system to deliver those results.

Conformance is about things like compliance with the law, or the values and principles that we need to abide by—transparency, risk management. By conforming with these sorts of things we are able to give the parliament and the public confidence about the way we are managing as well as the results we are achieving.

There was some change of thinking of governance over the last decade or so to a more principles-based

approach, so our legislation, both personnel and financial, has become much simpler and much shorter. We used to have more detailed process rules. The principles-based approach sets issues of efficiency, effectiveness and ethical behaviour as the base on which we operate.

The second change has been things like administrative law reform and customer focus and citizen focus. What that has meant is that instead of thinking of our accountability as always being from the public service to the minister and the government to parliament and then to the public, some of it is direct to the public, and the public has the right to appeal our decision-making. They have a right to know. There is a whole framework there and our agencies have to be more directly accountable to the people they service or affect than they used to be.

The third change has been that we now use a lot of other agents for managing service delivery and more agencies provide input into policy processes. How should we handle accountability through these other partners? Will it be simply through outsourcing or contractual arrangements?

It becomes more complicated if your outsourcer, the non-government organizations or private, for-profit organizations are delivering services to the public on your behalf. How can you have governance accountability arrangements you are confident in? Should you go beyond detailed contract provisions in order to get it? We have had a lot of discussion about this. Sometimes you can put things into a contract but it is very hard to put values into a contract.

We did some work on reciprocal understandings with industry. For example, when I was at the Department of Defence, we had a discussion with

the defence industries, and we developed a model code of ethics that the industry would promote to their companies which would complement our code of conduct.

They were reciprocal arrangements, so we agreed to put in our code things like the appreciation that “time is money”, understanding that in the tendering processes you need to be reasonably efficient. We expected that in their code of ethics, they would agree to work with our post-separation employment ethical code, and that they would not collude among themselves. They would not offer us bribes or hospitality or anything else that could be construed as compromising our obligations and proper behaviour.

### Could you tell us about the impact of some of the structural changes that have taken place in the public sector?

**W**e have been through a number of structural changes, but not as radical as in New Zealand. We were worried about going too far in separating policy and administration. It works quite well to a degree, but you have got to be careful and make sure they are not too separate. But we have gone through a process of having more agencies separate from our departments. We are trying to see if we have got their accountabilities right. New Zealanders call this “signposting the zoo”.

We are now asking if we have classified our new agencies properly. When do you use boards? When do you have CEOs? What is the relationship different types of organizations need to have with ministers? We are rethinking that at the moment: perhaps we have too many boards. Maybe a number of the agencies should have advisory boards rather than company-type boards, because the agencies really are tax-payer funded, not commercial. Maybe we need to bring some of them back into the standard accountability structure for the public service.

### What are the biggest challenges facing the Australian public service?

**T**he first issue is, “How do we handle a connected government?”

The question of collegiality is a major part of this issue. How do we get people to work outside their

stove-pipe and be collegial in approach? It is not just about culture; it is also about structures and processes, about budgets, accountability and engaging with the general public. We have to use information much more smartly, but the issue of having the dexterity to work with people in different ways at different times is a key challenge.

Some people said that a lot of the approach in the last 10 years was about devolution. My view is that devolution is a means, not an end. What we are looking for is agility and flexibility. We are now asking how we make sure that the flexibility achieved from devolution is not locked within stove-pipes and that we can work across the boundaries as well as within them.

The second challenge is values and making values-based management really work. One of my roles as Commissioner was to produce an annual State of Service Report which is tabled in Parliament. That annual report was my view on what the public service is doing to uphold the values. So I reported on their relationship with ministers, with the public, at the workplace, how they upheld the merit principle. I got a lot of information from employee surveys, agency surveys and so on. This was not just rhetoric; it was a very strict evidence-based report.

The third challenge which is emerging now is to rethink the capability of the Service. We are moving to a more graduate service, a highly trained and more mobile service. What are the skills we are looking for in our people? We are looking for both a greater depth of expertise and also a greater capacity to draw the threads together from the different expertise. We are looking at horizontal skills and vertical skills. That’s going to require us to do a lot more thinking: what is the right mix for senior people of leadership skills and management skills together with professional and technical skills? A number of countries are grappling with this issue.

Should your central health policy department be full of smart financial policy analysts or do you need people there who know about medicine, nursing and hospital management? How do you get the mix right?

This is not only about our own people, but of the

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people we deal with. How do we ensure that our partners have the right capabilities? Sometimes we want community-controlled service delivery in remote areas but the community does not have the capacity. How do we build their capability as part of the overall capability of the public service and how do we harness that capability?

**One of our permanent secretaries commented that in Singapore we are comfortable with things that can be quantified and measured. When it comes to something like values, we are less comfortable. How does the Australian Public Service reinforce and promote values?**

**W**e have done a lot of work on this, because I was worried that values were more like rhetoric, statements of aspirations rather than something that was real. A cynical academic friend of mine commented that these are things we put upfront so that we can forget about them later. So we tried to confront that and looked at what to do to address it.

Our legislation has values in the Public Service Act—there are 15 values. Fifteen is way too hard, there is no way that 130,000 public servants can be taught the 15 and understand them. So first of all, we grouped the values around what Values-Based Management is all about. It is about relationships and behaviours, not about structures and processes.

The four groups of values we identified were based upon the key relationships within the public service. They are:

- (i) *Relationship with government and parliament,*
- (ii) *Relationship with the public,*
- (iii) *Relationship in the workplace with colleagues,*

(iv) *Personal behaviours.*

In our relationship with government and parliament, we are apolitical, professional, accountable, and responsive to the elected government. These values are in our Act and they govern our behaviour. Our people must say, "I will think about these values in my relationship with my minister, and when I appear before a parliamentary committee. I understand that these are things I've got to take into account."

When dealing with the public, the public service values are not the same as those a private company might promote. Some of them are the same, like being courteous, efficient and effective, but public service values include things like being impartial. You don't have to worry about that in a private company but it is a core value of the public service: it makes us different.

In our relationships with each other, again most of the public sector values are the same as those of good big organizations. But the key differentiating principle in the public sector is merit—the public sector has a merit-based system. Another thing that is different is that we expect everyone in the community to have access to apply for public service jobs. Of course they have to win the job on merit. But we have a value which states that the community has to have the opportunity to get jobs with us.

These are the things that make us different. We identify those values. We have to explain to staff that we have a series of values about our relationships which make us different. We are a different organization.

About personal behaviour, the key value is that we must have the highest ethical standards. All organizations may say that, but we are paid for by

taxpayers. We are exercising authority from the parliament that's delegated to us. The public rightly expects us to manage those things with the highest ethical standards. This is something that is over and beyond from what you might expect from a company.

In terms of making these values measurable, we have been doing a lot of work on what organizations should be doing. We did a study over a year ago and looked into detail at six agencies to see what was good practice in embedding values. We also did some work with the OECD and looked internationally. We ended up with three headings of actions to embed the values.

**1. Commitment:** This means leadership, walking the talk, ethical awareness training, induction training, how to make sure staff understand the values and the ethical behaviour expected.

**2. Management:** How to ensure all management systems—Chief Executive instructions, internal governance structures, performance management systems and so on—reflect the values and preferably do so explicitly. The values should actually stand out. For instance, does the appraisal discussion with staff include a discussion of their behaviour according to values? Do you do that every year? These are the sort of things we can do to make the values real.

**3. Assurance:** How can you be confident that the organization is doing what it says it is doing? Actions under this heading include things like pursuing breaches of codes of conduct, having disciplinary systems and running staff surveys to check whether the staff believe you are walking the talk. You can have client surveys and other feedback loops. Do the public you are dealing with see you in the way you want them to see you? We can put in place a number of things to give you confidence and tell you where you are going wrong.

Like many other nations, Australia has been shifting away from rules-driven management to a more principles-based approach to give us more flexibility and agility to focus on results. This has entailed a greater emphasis on things like values and leadership. The challenge is to make sure that the new approach is robust and meaningful, and not just empty rhetoric. As we are placing more structure around Values-Based Management and

leadership, we are also recognizing the strengths of many of our traditions and processes, and the need to ensure we build on them. ■