

6 May 2019

Mr David Thodey AO
Chair
The panel for the review of the Australian Public Service
Department of the Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600

Via email: apsreview@pmc.gov.au

Dear Mr Thodey

Independent review of the Australian Public Service: Interim report

Governance Institute of Australia (Governance Institute) is the only independent professional association with a sole focus on whole-of-organisation governance. Our education, support and networking opportunities for directors, company secretaries, governance professionals and risk managers are unrivalled.

Our members have primary responsibility to develop and implement governance frameworks in public listed, unlisted and private companies, as well as not-for-profit organisations (NFPs) and the public sector. Governance Institute is a national provider of governance training.

We welcome the opportunity to provide feedback on the Interim report of the Independent review of the Australian Public Service (APS). We provided a submission on the independent review on 31 July 2019.

We commend the independent panel for highlighting the importance of strengthening the culture, governance and leadership model of the APS and support the proposed role of the secretaries' board in improving the quality of performance reporting across the service. We agree with the panel on the importance of measuring outcomes and performance in boosting accountability and trust in the service.

Importance of performance management

Internationally, and across Australia, public sector entities have not always succeeded in adopting good overall performance measures which are linked to the key strategic outcomes determined by the governing body or key stakeholders such as the portfolio Minister.

Recent experience in Australia (see the 2013 report of the Australian National Audit Office and the report of the Independent review of the Australian Public Governance, Performance and Accountability Act, September 2018) and the US (*'Managing for results – Government action needed to improve agencies use of performance information in decision making'*, United States Government Accountability Office, September 2018) suggests that the drive by Governments to achieve improvements in performance management by public sector enterprises has stalled.

In 2013, the Australian National Audit Office reported that:

'Our audit reports and the Pilot show it is time for greater attention, investment and resourcing to be given to the quality and integrity of KPIs used by public sector entities to inform decisions about the performance of government programs.'

We note the recent findings of the review panel, that the APS needed:

'Transparency around performance expectations and management of secretaries, This could include clear criteria on the basis for performance and evaluation, and measures linked to legislated responsibilities, government and ministerial priorities, and departmental and service-wide outcomes.'

Most public sector entities in Australia use data sets or metrics to measure the performance of the entity and as the basis or reporting to stakeholders. The use of such metrics is often based on the belief that counting many things will motivate improved performance. This is not always the case. We consider that performance management using detailed data sets can often distract boards and management from focussing on the key strategic issues confronting the entity. Rather than gathering a myriad of metrics about (often) minor activities unrelated to the board's ultimate objectives, there needs to be a real focus at the board level on metrics that matter to the prosperity and effectiveness of the enterprise. These form the Key Performance Indicators (KPIs).

We consider that it is good governance for an organisation to have a performance management system that contains the following elements:

- a focus on a systemic approach to measuring performance linked to objectives, goals and strategies of the organisation
- the use of metrics within an appropriately structured framework which are based on accurate and reliable data
- a process to measure and evaluate performance changes over time
- a plan to improve an organisation's effectiveness and efficiency
- demonstrated links to the risk management framework and other key control systems
- provision to contain both financial and non-financial metrics, including those relating to input costs, processes, outputs and outcomes
- reflects consultation with employees and stakeholders
- transparent and timely public reporting on the progress towards achieving results
- use of metrics that illustrate and analyse changes in performance and outline remedies where goals are not achieved within predetermined time lines
- supports the ongoing promotion of a positive performance culture across the organisation.

Governance Institute has recently reviewed its guidance in KPI's to include a discussion on the important features of an effective performance monitoring and management system and we **attach** this good governance guide to this submission.

We welcome the opportunity to engage further with the review panel and elaborate on any of these issues.

Yours sincerely



Megan Motto
CEO
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