

TRANSCRIPT OF EVENT

SECRETARY SERIES: GRANT HEHIR

Dr Rachel Bacon (Host)

Deputy Secretary
APS Reform Office

Grant Hehir (Keynote)

Auditor-General
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Michael Di Francesco (Vote of thanks)

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CAROLINE WALSH:

Yuma. Good morning everyone. Welcome to today's event, the Secretary Series address, delivered by Grant Hehir, the Auditor General of Australia. My name is Carolyn Walsh, I'm the CEO of the Institute of Public Administration Australia, and I'm delighted to welcome you all here today. I'll just do a quick opening and then I'll hand over to our host for today's event, Dr. Rachel Bacon, the Deputy Secretary of APS Reform at the Department of Prime Minister and Cabinet.

Firstly, I would like to acknowledge the Nggunawal and Ngambri people and pay my respects to their elder's past, present and emerging, and thank them for the care that they take of this city and this region as they have done for thousands of years, and I extend that respect to First Nations people who are joining us here today as well.

I'd now like to introduce our chair. Dr. Rachel Bacon is currently the Deputy Secretary for Public Sector Reform. Prior to this, Rachel worked at the Department of Infrastructure Transport Regional Development Communications and the Arts, as Deputy Secretary of the Regional Cities and Territories Group, delivering place-based policy and services for communities around Australia.

has also worked in the Department of Environment and Energy and the Northern Territory Government's Department of the Chief Minister. Rachel has previously led a number of task forces based at the Department of Prime Minister and Cabinet, and has a PhD focused on administrative law and organisational change. Please join me in welcoming Rachel.

DR RACHEL BACON:

Thanks very much, Caroline. It's a pleasure to be here today and good morning to everybody. I'd also like to acknowledge Caroline's acknowledgement of the traditional owners, and I really do believe that taking a moment to acknowledge country and the custodians who've cared for this country for thousands of years, is an important reminder to reflect on the footprints that all of us leave behind, including as we in the public service help steward the public institutions that we work in.

It's a real honour today to be able to introduce our keynote speaker, Auditor General of the Australian National Audit Office, Grant Hehir. Grant Hehir commenced his term as Auditor General for Australia on the 11th of June 2015.

Before his appointment as Auditor General, Grant served as the Auditor General of New South Wales between November 2013 and June 2015. He worked for the state government of Victoria between 1998 and 2013 in a number of senior roles, including as Secretary of the Department of Treasury and Finance

and the Department of Education and Training.

Grant has also worked in senior executive roles within the Federal Department of Finance. He's a fellow of CPA Australia and the Institute of Public Administration Australia and having worked with Grant's team on a number of audits, I know firsthand how committed he is to strong and ethical public administration outcomes. It gives me great pleasure in asking you all to join me to welcome Grant to the stage. Thank you.

GRANT HEHIR:

Thank you, Rachel, and good morning, everyone. It's a pleasure for me to be here today to give this presentation. I think it's a very important organisation for the public sector and I think the series and activities they undertake are important for knowledge sharing and development across the sector.

I want to talk today a bit about accountability in the Australian public sector and the role that the ANAO plays and what messages can be drawn from our work in that regard. Given that this will be an Auditor General's perspective on accountability, I thought it might be best by quickly summarising what the Auditor General and the ANAO are.

The Australian National Audit Office is a specialist public sector agency providing a full range of audit and assurance services to the parliament. It works to support accountability and transparency in the Australian government sector through independent reporting to Parliament, and thereby contribute to improve public sector performance.

The Auditor General Act 1997, establishes the Auditor General as an independent officer of the parliament. The Auditor General Act replaced the Audit Act, which was the fourth Act passed in the new Australian Parliament in 1991, and that created the role of the Auditor General.

The executive arm of government is accountable to parliament for its use of and management of public resources and the administration of legislation passed by the parliament. The Auditor General provides independent assurance as to whether the executive is operating and accounting for its performance in accordance with the Parliament's intent.

The Governor General, on recommendation of the Joint Committee of Public Accounts and Audit and the Prime Minister, appoints the Auditor General for a period of 10 years, and it appoints the Auditor General in a role which provides it with significant independence in how it undertakes its operations under the Act.

In particular it cannot be directed in relation to whether a particular audit is conducted, the way a particular audit is conducted, or the priority given to any particular

matter. In carrying out these functions, the Auditor General and the ANAO are supported by extensive information gathering powers, including coercive powers and extensive reporting powers, which the Act establishes.

I'll talk a little bit about accountability. The Australian Public Service exists to support the three arms of government, parliament, the executive government, and the judiciary, to carry out their respective functions for the benefit of the Australian people. It does this by providing advice, administering, and delivering services for the community in the context of accountability to parliament.

Accountability is often talked about but rarely defined in the public sector context. At its essence it involves understanding what you are required to do and achieve, acknowledging responsibility for these requirements and being open and transparent about your performance against them, and accepting that you'll be held responsible for your performance against requirements, which will involve consequences, and being open to this in order to improve performance.

Almost everything done by the Australian public sector is established through legal frameworks, that is expectations regarding the impact or outcomes of public sector activity has a legal basis. In some cases these expectations go beyond setting out the activities and outputs that should lead to outcomes, they also go to inputs and processes which will be used.

To ensure that these expectations are met, accountability frameworks have been established. These frameworks are required as entities and individuals will not necessarily maximise the achievement of community outcomes unless they clearly understand what is expected of them, and incentives are in place to maximise alignment between the interests of entities and individuals and those of the parliament and government.

Where misalignment occurs, it is not necessarily the result of malice, but more likely because the actions of individuals will be influenced by their own experiences, biases and perceptions of the value of what they do, along with what they perceive as what's in their best interest. Accountability frameworks of some form apply to all entities and individuals in the public sector.

An interesting feature of the public sector accountability framework is that almost all of the advice on its establishment and operation comes from those that are subject to it. This is also the case for the majority of the actions undertaken to ensure their implementation. That is, the public sector is very much self-regulated, and this brings with it risks of bias which require mitigating controls, of which transparency is the most

critical.

Probably the broadest of the accountability frameworks is the Public Governance Performance and Accountability Act. This Act regulates the actions of the public sector with respect to the use and management of public resources.

Amongst other things it establishes duties of officials relating to acting with care and diligence, acting honestly, in good faith and for a proper purpose, not misusing one's position, the proper use of information and disclosing interest, duties of accountable authorities with respect to proper use and management of public resources, that is efficient, effective, economical, and ethical.

A framework for rules to be developed to control specific activities such as procurement and grants administration and requirements for the planning and reporting on financial and non-financial performance, along with the auditing of that reporting, which are meant to provide transparency on performance that is considered essential for effective accountability.

Other broad accountability frameworks include the Archives Act, which establishes rules around the maintenance of records, critical for transparency and accountability, and the FOI Act, which is designed to bolster transparency and accountability.

At a narrower level, there's the Public Service Act, which regulates parts of the public sector made up of agencies which employ APS staff. The Public Service Act establishes a framework for an apolitical public service that is efficient and effective. It also establishes a set of values and a code of conduct.

In addition to these and other broad frameworks, there's a multitude of other frameworks which regulate public sector activities with respect to specific outcomes or activities that the parliament and or executive government want to see achieved. These frameworks may have a legislative basis and may address how specific activity is to be carried out or services delivered. Many of the frameworks set out requirements intended to provide transparency over entity performance in order to generate accountability.

Then of course, within the accountability frameworks you have those that entities put in place themselves. These include internal reporting against corporate and business plans, legislative compliance reporting, quality control systems and individual performance management systems.

It's important to have these frameworks and they place a high expectation on the public sector. However, they are only of use in the sense of incentivizing entities and people to meet expectations if they result in both

people and entities believing that they'll be held to account and actually holding them to account.

That is, for the frameworks to provide an incentive for individuals and entities to understand what is required and take responsibility in an open and transparent way for their performance, there needs to be clear consequences for not doing so. By being held to account I don't mean just being sacked. Being held to account begins with entities and their personnel recognising when improvement is necessary and implementing change.

For example, agreeing to or for that matter, disagreeing to recommendations of parliamentary inquiries and audit reports, probably not noting them, which isn't really being held to account, and then implementing those things after you agree them.

How is the public sector held to account? Well, at the entity level, accountable authorities, APS agency heads, statutory offices, depending on the framework which applies, are generally accountable directly to their ministers who are in turn accountable to parliament.

Accountability with an entity is supported by the strength of their governance frameworks. These set the expectations for performance in the entity, signalling what is more important and what is less important. I think it's a reasonable expectation that appropriate internal signals will be provided for matters which the parliament and government have indicated are important, with these matters of importance reflected in the entity strategic frameworks, including relating to planning, risk, internal control, individual performance compliance, etc.

The best-known manifestation of the accountability to parliament is the Senate Estimates Process, however, you actually see the accountability system operating across a whole range of other committees with JCPAA for one, and through the parliamentary chambers.

In addition to accountability through the parliament, through its parliamentary representatives, accountability to the Australian people is facilitated by broader discussion and debate on public sector activity occurring in the community.

Through these well-established frameworks, you would expect to see accountability having impact. For example, successful programmes continuing and expanding, unsuccessful ones reduced or terminated, good governance practises shared and more broadly adopted, while poor governance is identified and rectified, poor compliance identified, while good compliance is rewarded. For all this to happen, public sector, parliamentary and public accountability critically

depends on transparency.

That leads me to the role of the ANAO in this accountability framework. We are in the assurance and transparency business. Largely what we do is provide assurance to parliament, to assist it carrying out its role in holding executive government to account. We do this through three core products, financial statement audit, performance statement audit and performance audit. Financial statements, and I'll talk a little bit about each of these, financial statements are the keyway entities through their minister's report to parliament on financial performance.

Audit of these statements provides assurance that the statements of the Australian government and its controlled entities are in all material respects appropriate and can be relied upon by the parliament. We've been doing this work for about 120 years, and in some respects it's our core product.

In addition to providing this assurance, that entities financial statements are fairly presented, the ANAO uses its financial statement process to review compliance with other requirements, which while not always material to the fair presentation of financial statements, are considered by the ANAO important for the sector.

Requirements of this sort includes cybersecurity, executive remunerations, gifts and benefits, the establishment and operations of water committees, HR controls, and this year we're doing work in the area of AI type tools used in the public sector.

We also attempt to provide some commentary on financial sustainability of entities. However, in the absence of any accepted indicator of financial sustainability for most public sector entities, we find this quite challenging.

In general, financial reporting in the public sector is of a high quality. Financial statements are rarely qualified, we have many findings, but they tend to be in the cybersecurity area. Currently around user access controls seems to be the major issue.

At the ANAO we see these relatively strong results as flowing from a mature and transparent system, which itself is the product of a long history of audit activity. Certainly through my career, most of which I spent involved in preparing financial statements, but the later component in auditing them, I have formed a strong view that without audit you would quickly lose the transparency and accuracy of financial reporting.

I want to talk about one recent example of the importance of auditing. The appropriation framework is a fundamental part of our democratic process. It's the way in which parliament gives executive government

access to taxpayer's money to deliver services. In our Westminster-based system, the assertion of parliamentary control over public finances was central to the transfer of power from the monarch to the parliament, and the emergence of responsible government. Appropriations are the key financial control of the parliament over the executive.

During '22-'23, our financial statement audit work identified that the Department of Defence used non-operating appropriation funding available from Appropriation Act 2, for operating expense, specifically the termination payment for the cancelled Attack Class Submarine Project. Subsequent AGS advice and Department of Finance advice did not consider this to be inconsistent with the Appropriation Acts.

In raising the issue, the ANAO identified potential risks to the control framework put in place by parliament, given the potential precedent it established. The JCPAA, in its inquiry into the Commonwealth Financial Statements '21-'22, stated that these funds should not have been used for an operating expense without parliamentary permission.

The JCPAA made the following observations. First, the committee concurs with the concerns of the ANAO in this respect and is of the view that the intent of parliament should not have been subverted in the name of administrative expediency on the part of executive government.

Second, the committee would've been assisted in considering this matter if Defence and Finance had simply acknowledged that the incident was not appropriate, but this acknowledgement was not forthcoming. Instead, agencies sought to argue that what had transpired was appropriate, while simultaneously advising that it should not happen again.

While some may argue that the appropriation framework is not flexible enough in the current world, I think the key point is that if entities or individuals think that it is acceptable to bend or break the rules for expedience, where could that lead with regard to respect for the fundamental pillars of our democratic processes? What does it mean for accountability in the sector? Audit exists to identify these issues and make them transparent.

I'll talk a little bit about performance statements, auditing. Performance statements are the primary way entities report to parliament on non-financial performance. ANAO audits provide assurance to the parliament that the statements are materially accurate, and parliament can rely on them in the accountability framework.

This is the newest of our audit products. Following a two-year pilot focused on three entities, we are currently in the second year of rolling out the programme to major entities. Audits of performance statements focus on ensuring that their preparation meets the requirements of the PGPA Act and rule. We provide assurance on whether the statements provide a clear link with what was originally planned in the portfolio budget statements and the corporate plan.

We also provide assurance on whether the performance measures are relevant and have a clear link to the entity purpose, are reliable and verifiable, supported by accurate data and specific methodologies, are complete and balanced, reflecting all aspects of and fairly represent the entity's purpose, and are easy to understand.

I've often heard it argued over many years, that in the public sector, non-financial performance information is more important than financial information. Therefore, you might expect that the quality of non-financial performance information would be at least the same quality as financial information, particularly against a rule set in place in this iteration for over a decade.

Weaknesses in the quality of performance reporting affect the parliament's ability to readily assess entity performance for policy outcome and service delivery, and therefore to hold executive government to account.

The ANAO has made findings on performance reporting practises in both performance statement audits and performance audits. Performance audits have commented for many years on the poor quality of performance information at programme management level as well as in external reporting.

Performance audits have also commented on the impact that this has on entities ability to effectively evaluate the effectiveness of programmes. If you do not identify the measures of success early and begin collecting the relevant performance information, it's often difficult to subsequently evaluate success.

Recognition of the poor quality of performance information was a driver of the changes in the accountability arrangements the PGPA Act introduced, by requiring performance statements and making provision for their audit. The mandatory auditing of performance statements has subsequently been the subject of recommendations from the JCPAA and the independent review and the operations of the PGPA Act and rule.

Audit work in this area, I think is making a difference. It's resulting in an increased focus by entities. We observe improvements. Our experience is that entities when presented with evidence of weakness in their

non-financial performance information frameworks are accepting of the need for improvement and undertake actions needed.

However, a question remains as to why, if non-financial performance information is critical to the accountability of individuals and entities, it has had such a poor focus? Why is it when performance information is put under audit scrutiny, we often find a lack of quality control, bias in measured selection and selective reporting?

There is a significant opportunity for auditing of entity performance statements to help drive stronger accountability in our sector, not only through the provision of more meaningful performance reporting to parliament, but through the flow-on effect of better internal reporting for improved programme design management and evaluation.

One risk that in the ANAO we're well aware of, is that performance statement auditing may lead to a narrow compliance and minimalist approach to reporting, both to avoid adverse audit findings as well as transparency and accountability.

Finally, I'll talk a little bit about our probably most well-known product, performance audits. We've been doing performance audits for about 40 years. They are a review or examination of any aspect of the operation of a person or body subject to the Auditor General's mandate.

We do about 40 performance audits every year. They are selected on a risk basis, designed to give broad coverage across portfolio activities, stages of delivery, and the four E's of proper use, efficient, effective, economical, and ethical.

The audit selection process is set out in our annual audit work programme, which is on our website. The programme is developed having regard to the audit priorities of the parliament as determined by the JCPAA, and in consultation with the sector.

Our performance audit programme is designed to give the parliament assurance of the sector's performance against the requirements set out in the frameworks that I talked about earlier.

As an assurance activity, the performance audit is not designed for a merits review or to investigate identified poor performance. We rarely commence an audit where poor performance has previously been identified. It's a risk-based approach, but we're not ambulance chasers.

The ANAO approaches all audits without a view as to what we are likely to find or a thesis to be tested. What we do bring is studied neutrality, independence of mind and audit scepticism. Our performance audits use

evidence to present the facts, make findings, draw conclusions, and make recommendations.

Our audit reports also transparently prevent any alternative view of the auditee, so that the user of the report can draw their own conclusions from what we then put forward.

When you step back and look at our performance audits over the last five years, you'll see that 55% have found that the audit entities performance is either fully effective, 9%, or largely effective, which is 46%. In other words, 55% of our audits indicate that audit entities were performing relatively well against the audit criteria.

Putting that in perspective, to be fully effective means there's no material deviations whatsoever in the action, that's a very high bar. It does leave 45% of audits, which concluded that the audited entities performed poorly against the audit criteria. An audit conclusion of partly effective was reported in 35% of audits, and an audit conclusion of ineffective in 10%.

This pattern of findings has been pretty consistent through time, and it may reflect more on the risk-based audit selection process than provide a picture of the overall performance in the sector. I'll unpack the results a little bit, because if you look into it, there's some significant variations.

For example, over 20% of audits relating to grants administration and procurement in the last five years have concluded that the audited entity's performance has been ineffective, with over 60% of grants audit conclusions being either ineffective or partly effective and none fully effective. With respect to procurement, around 55% of conclusions were either ineffective or partly effective, with less than 5% fully effective.

This compares to audits of service delivery and governance, where ineffective conclusions are 5% or less and the combination of ineffective and partly effective are less than 50% for service delivery and less than 40% for governance.

It's also worth noting that in the last five years, the ANAO has made negative comments on record keeping in over 90% of performance audit reports presented to parliament. Good record keeping is fundamental to effective stewardship of the sector, it facilitates performance improvement, transparency, and accountability.

This snapshot of the data, I think supports a view that the culture of the public sector is more strongly focused on meeting or being seen to meet the expectations of the impact or outcomes that the public sector activity should have, than it is on the way that impacts should be achieved. In other words, getting it done, not

necessarily getting it done the right way.

In respect to achieving results, our audits indicate that there are many areas of public sector effectiveness. Audits of large mainstream service delivery activities, particularly in business-as-usual mode, mostly have positive or largely positive audit conclusions. Audits of the ATAO would be a good example of this.

Audits of the public sector response to COVID were also largely positive, with 80% being fully or largely effective, particularly where existing processes were used to deliver services. Although I would say we probably dropped the bar a little bit in our review of COVID programmes, given the crisis nature of implementation.

Our audits indicate that service delivery through regulation can be weaker than direct service delivery, particularly where a risk-based approach is taken without sufficient alignment between risk tolerance and appetite and a compliance programme implemented.

However, the most common area of poor performance identified in our audits is where there is a tension between delivering what government or senior management want and complying with the legal requirements around how it should be undertaken.

This discussion about audit conclusions, I think raises a number of issues with respect to the effectiveness of the accountability framework. Firstly, for the accountability framework to operate effectively, the public sector needs to clearly understand the roles and responsibilities of the players in the framework. This is particularly so when considering the relationship between the sector and the parliament.

In a system of responsible government such as ours, where the entirety of the executive is accountable to the parliament, the public sector cannot treat the controls the parliament has put in place as something to comply with as long as they're not inconvenient.

This goes beyond the rule of law and issues like complying with appropriation frameworks, it extends to how the public sector interacts with the parliament as it carries out its accountability function, including the sector's openness and transparency in giving evidence before parliamentary committees.

Secondly, the quality of performance information needs to improve. The accountability framework cannot operate effectively if those holding entities or individuals to account cannot rely on the transparency provided by the information made available.

Auditing of performance statements will help with improvements to external reporting, hopefully also driving improvements internally. However, the position taken by system leaders, particularly in setting high

expectations for performance, is critical. This starts with an expectation regarding the development of success measures when policy is being designed and continues through to strong evaluation frameworks.

Thirdly, the public sector requires an improved approach to accountability for compliance in areas such as resource use and management, procurement, grants administration, cybersecurity, record keeping, freedom of information, ethical conduct, and compliance, generally. We have made audit findings that entities do not consistently meet these requirements, which generally have a legal basis. This raises questions of whether compliance with requirements and their intent is embedded as part of the culture of the public sector.

This presents challenges for leaders, to ensure that they set a tone which promotes compliance with both the letter and intent of the law, along with expectations that results are achieved. At present there appears to be a relatively high-risk tolerance for non-compliance so long as results are achieved, rather than seeing compliance as a hallmark of integrity and essential to the craft of public administration.

Fully effective implementation of the accountability framework in the public sector remains a challenge. To achieve implementation the sector needs a stronger commitment to accountability and transparency than currently exists.

Some indicators of a lack of focus on accountability and transparency include, the unwillingness of those responsible for the development and implementation of accountability policies to take responsibility for their effective implementation through risk-based approach to regulation, the relatively low priority given to the quality of non-financial performance information and external reporting, regular commentary that FOI, a key part of the transparency framework, impacts negatively on the willingness to provide robust advice.

The regularity with which entities seek legal advice on the ANAO's information access powers, the number of questions taken on notice by officials at hearings of parliamentary committees, often in a way which seems tactical, the lack of responsiveness to parliamentary committee reports and recommendations and delays in responding to questions on notice.

Australia is fortunate to be served by a largely effective public sector supported by a mature set of institutions and frameworks. That said, there is always room for improvement and a need to be vigilant to risks which may undermine its integrity. Transparency and accountability are fundamental to both, by providing independent assurance to the parliament, the ANAO plays an important role in identifying risks and areas for

improvement and supporting accountability and transparency in the public sector. Thank you.

DR RACHEL BACON:

Well, thank you very much, Grant, a fantastic set of insights there, and I think it's incredibly valuable how particularly you just laid out all of the different moving parts that we have as part of our accountability frameworks, just all in one place, how they fit together and actually then took us back to the principles that those different moving parts are there to uphold.

One of the things that I took as a bit of a, I guess an added layer, in some of the things that you were saying around the importance of all of these accountability principles and frameworks and what they're there to achieve, is in addition to this, the culture and the mindset that all of us as public servants take to interacting and engaging and complying with those frameworks really matters.

One of the things I think, that in your recent annual report you, mentioned I think in your forward, if I can start with the first question, that upholding the ethical values of the public sector requires compliance with all relevant laws and acting in a way that's right and proper as well as technically and legally correct.

I'm just wondering, to kick us off, whether there's any good examples of government agencies upholding these ethical values that you could point to in your experience, or what good looks like from your perspective?

GRANT HEHIR:

think it's really hard to talk about good examples, because particularly from an audit perspective, because we are exception seekers to some extent. If you look at our work, all of those audits where we say the activity of the entity was effective except for this bit, means that we're saying that all of the other components of it are examples of good practise.

I think when you're talking about the issues, like I talked about in the forward to the annual report, around integrity and ethical conduct, what I think you would expect to see in terms of good practise, is entities looking at those issues from a risk perspective and thinking about how you put in place frameworks to ensure that your organisation has the level of compliance which is necessary.

We talk a lot about integrity in the public sector, and there's a whole pile of data that's collected around it, but what you rarely see, I haven't seen a lot anyway, in the sector, is the people then getting that data and managing it as an integrity support tool.

You have HR data, compliance data, fraud data, other indicators of the integrity of your organisation. What I think you're looking for in good practise in managing

the integrity ethical conduct is an organization's, on a risk basis, putting in place compliance frameworks to give themselves assurance that the data that they've got indicates the level of ethical approach that the organisation has from a risk perspective.

There was a hearing on ethics and integrity in the public service by the JPCAA on Friday, where a number of financial regulators we'd audited were there giving evidence, and I think some of those presented some good practise in their frameworks for considering integrity in their organisations, but even there, none of them really had an integrated approach to it.

DR RACHEL BACON:

I think that is an excellent point. Just in light of the range of experiences, reviews, inquiries, commissions, that have been the subject of strong public debate, at the moment obviously the Robodebt Royal Commission has shone a spotlight on some significant failures of public administration. We've seen some big initiatives like the National Anti-Corruption Commission, a lot of work happening from the Integrity Task Force that's been established to look at integrity matters, and I'm interested in your views around data at a system level as well as an accountable authority level.

I know reports from the ANAO do shine a spotlight on those patterns that happen across the system, when you lift up and look at a few of the different insights from a range of reports, but is there anything that you would say, at a system level that's important, whether it's data or other ways that we can think collectively about our stewardship role across the service?

GRANT HEHIR:

I think is there's a tendency that I've observed within the sector to treat every individual area of non-compliance or concern or whatever, as an individual incident that has an individual cause, maybe because there was a bad person involved in it, and that a reluctance to look systemically at those things and step back and say, "Well, what's that tell us for the system, and are there risks involved?"

We see that a bit in our audit work, where, well, we've been saying for many years that there's fundamental problems in procurement and grants, and we hear back regularly, that we don't audit all of it, so how can we say it's systemic? Well, we can't say it's systemic, but if we're the only ones producing the data, then surely there's a risk that the sector might want to confront on those things.

A lot of the time, as auditors we feel that those risks fall on deaf ears, because there isn't a stepping back at a systemic level and thinking about whether what you're seeing in individual instances is consistent with what you want to see as the sector as a whole, so I think

there's a lot of data collected and more analysis of it would be useful. That would be my simple answer to your question.

DR RACHEL BACON:

That's a great answer, Grant. I'm just going to hold the floor for one more minute and ask you one more question that's quite close to what I do. As Deputy Secretary for Public Sector Reform, we're working to implement the government's Australian public service reform agenda, the first priority of that reform agenda being around integrity.

We have a lot of conversations around how it's not enough to just deliver a whole range of initiatives and say, job done, we actually need to get to the point of shifts in culture, mindset, and capability.

When it comes to culture, what are your insights, Grant, on what you think needs to change, in terms of that culture and mindset of public servants when it comes to integrity outcomes?

GRANT HEHIR:

All culture in organisations comes from the top, and well, maybe not all, but overwhelmingly leaders set the culture of organisations. I think that the key change that I think would be valuable, and when I say, I'm not saying it going from a zero to a positive, but any change of emphasis would be around the tone that leaders set about what's acceptable and what's not acceptable in organisations, and clearly demonstrating what integrity is.

Leaders can't go anywhere near poor ethical behaviour, right. If you think of the law being a black and white thing, if leaders go too close to the boundary, how can they expect their organisation not to go over the boundary on occasion?

I think the leaders in the sector have to actually model the extreme end of integrity, a lot of the ... By not using the excuse of their experience and knowledge to say that they know when it might be better to do procurement in a less than robust way, because of their knowledge.

It's just setting the tone by being an exemplar, not telling other people what to do, but then saying, "I've got a greater experience and knowledge and therefore I can make those judgements better." I think there's a shift that needs to happen.

DR RACHEL BACON:

Thanks, Grant, that's great insights. I think we have a question down the front here. Thank you.

KEVIN RILEY:

Good morning, Grant. Thank you for your contribution to IPAA, and also to public administration. Kevin Riley, IPAA National Counsellor.

I'm a bit of a public finance legislation nerd, as you would know over the last 25 years of working with me. You very nicely summarised Sections 25 to 29 of the PGPA, in terms of the duties of officials.

It's interesting that officials exclude ministers and judges. What if we were to remove that exclusion and start to say that public administration goes all the way to anyone involved in decision-making around public resources, to open them up to that requirement of being diligent, using reasonable care and diligence, open, honest and integrity, not using one's position for advancement?

Would that be too onerous on our framework, or would that start to address some of the challenges that we've even heard about this morning on today's ABC News, about ethics and integrity in public administration?

GRANT HEHIR:

The frameworks in particular places, put requirements on ministers and their duties with respect to making decisions and being informed in making those decisions. In the work that we do, I haven't seen a gap that's produced within the framework, with respect to how it applies to ministers.

Our audit work goes to the decision making of ministers, where they're doing administrative activities, and we regularly look at that. I've said in parliament on numerous occasions, that I have never seen evidence of a minister undertaking inappropriate action when advised by their officials that it was inappropriate to do so, that is, not within their legal authority or that type of thing.

I think what we see more regularly is officials not clearly telling ministers when the actions that they're undertaking aren't consistent with the frameworks, and we've documented that on many times in grants and particular activities, and I think if the public service was more robust in giving frank and fearless advice in those situations, then a lot of the concerns would drop off dramatically.

There's a lot of talk around stewardship of the public sector. Part of the stewardship of the public sector is about the adherence to those principles in the Public Service Act, about impartiality, in apolitical, frank, and fearless. If public servants aren't clearly advising ministers what the framework requires them to do, then that's not being a good steward of the system and it helps undermine it. I don't have any particular concerns with respect to how the framework is designed.

MELISSA COADE:

Hi, Melissa Coade from The Mandarin. From what I understand, good auditors in government are a rare species, because there are so few of you, and they risk being poached by other departments, because

departments value that capability and the private sector as well. What are your thoughts on how we can build out and strengthen in number, our government auditors?

GRANT HEHIR:

We're relatively comfortable about the size of the audit office, in terms of the resources that we have to undertake, the coverage of the work that we need to do. We do operate in a highly competitive labour market, which produces challenge for us in retention in particular in the organisation, because I'm fortunate to have a workforce of highly talented people who are attractive, that's a challenge for us as an organisation.

If we could pass a law saying people aren't allowed to leave the audit office for four or five years, that'd be really handy, but personally I'm not concerned about the level of resources we have.

As I said, our major challenge is, and we're growing at the moment too, because we got additional resources a few years ago, our challenge is recruitment and retention of our people. Yeah, that's the major issue for us.

MELISSA COADE:

Thank you.

SPEAKER 6:

Thanks, Grant. You spoke about risk-based approaches and the ANAO looking at AI tools and they're use in the public service, and I wanted to know what approach does the ANAO take to ensure that the performance audits don't send a signal to executive at agencies, that they need to be more risk averse? Because using some of the newer tools would mean that a lot of the agencies would necessarily require a bit of experimentation and some element of risk.

GRANT HEHIR:

More risk averse. What we do is largely look at the frameworks for performance and operation that entities put in place or parliament, or government puts in place for them, and check whether people are doing things the way they said they would.

If they're not, then we make that transparent. Now, I'm not certain that should cause risk aversion, because people should be doing things the way they're required to do them. One question that is made, is that if the review, including the audit, identifies failure, then that might lead to risk aversion.

From an audit perspective, what we're pretty neutral to, success or failure in an activity, in terms of whether an activity achieves its outcome or not. When a programme or an innovation doesn't achieve what it was meant to, because people didn't do what they were meant to do, didn't have good governance frameworks in place, didn't implement the activities, we'll point that

out.

I don't think you would find many examples where we would criticise an entity that put in place all of the actions that you would expect them to do, and then a project failed, because things happen like that. We shine a light on it, but don't criticise it as such, I don't believe, and I think we try and keep away from that, because that's not our job.

Some of the disappointing things, one of the audits which I've always found most disappointing or a series of audits, was around the cashless debit card, where the government decided to do a trial of a particular programme, and then the public service didn't maintain the data or collect the data to see whether the trial worked.

What's the point of doing a trial if you don't put in place a framework to determine whether the trial is successful or not? There's no point, and I think that's something you can rightly criticise an organisation for. Doing a trial and it not working, that's what happens.

DR RACHEL BACON:

Yeah, good. Really useful reminders, Grant. Look, thank you so much for your time and insights, Grant, I think that's all the time we've got for questions, and before we move to our vote of thanks, I just also want to thank you for engaging and answering everyone's questions so well, so thank you very much.

GRANT HEHIR:

Thank you.

DR RACHEL BACON:

We might move now to our vote of thanks, and it gives me great pleasure to be able to introduce Michael Di Francesco, who is Associate Professor Policy and Governance at ANU's Crawford School of Public Policy, and I welcome you, Michael, to the stage to provide your vote of thanks.

Michael Di Francesco, as I said, is Associate Professor specialising in public administration, he's a Director of Education in the Crawford School and Academic Director of the Crawford School Work Integrated Learning Programme.

Michael has published extensively in Australian public administration, including public budgeting, public financial management, organisational performance evaluation and public management policy. Michael is also currently the editor in chief of the Australian Journal of Public Administration, so please join me in welcoming Michael. Thank you.

MICHAEL DI FRANCESCO:

Thank you, Rachel, and I would like also to acknowledge country, the traditional custodians of the land we currently meet on.

It is a great privilege to be able to provide the vote of thanks. I know I only have a couple of minutes, but what I would like to do is actually to speak to you with my Australian Journal of Public Administration hat on. The reason I'm doing that is because, I think Grant has spoken to a number of very important issues, which have, I think been highlighted by a number of revelatory tomes that have been published over the last three to five years or so.

He's focused on accountability. He's asked what accountability has become. He's focused on transparency. He's focused on patterns of behaviour, particularly in the space relating to legality and compliance, the role of integrity.

Now, the reason I'm focusing on that, is because I'm old enough, although I must stress that at the time I was a young undergraduate, but I'm old enough to remember that from the pages of the Australian Journal of Public Administration in the late 1980's and early 1990's, when the reforms that we are now seeing the results of, were being contested, introduced, very heated debate in the pages of the AJPA, particularly between academics and practitioners, about the need for reforms.

There was a lot of, I won't quite call it prophesizing, but certainly there were a lot of issues being anticipated in terms of what the results of the reforms would be. I bet that if we go back and take a look at the types of articles that were being published at the time, a lot of what we are now discussing, a lot of what Grant has been shedding a light on, and I think very usefully summarising, will have been anticipated.

I think that we should be taking that into mind, because I think what we are now seeing to some extent is a degree of generational change and the types of changes which have been introduced in terms of the focus on results, the focus on deregulation of employment arrangements, the obvious need for increasing responsiveness. The question really becomes, has the balance gone too far? Have things gone too far in one direction?

I know that there are many commentators that also make those points at the moment, but they're important ones, and indeed, they are the sorts of issues that should now be fully investigated and fully considered and reviewed in the context of the types of introspection that's happening at the moment.

On that note, I would like to say thank you to Grant, not only in terms of the way that he and his office open windows, allow the sunlight in, allow fresh air in, but also the way that he holds up a mirror to the APS, and let's all of us, and those who are commenting from the outside, take a look at where things are at and how

things can be improved.

On behalf of the Institute, on behalf of my school, the Crawford School of Public Policy at ANU, thank you very much, Grant, we appreciate it.