

22 June 2018

PGPA Act Review  
Review Secretariat  
Department of Finance  
One Canberra Avenue  
Forrest ACT 2609

By email: [PGPAActReview@finance.gov.au](mailto:PGPAActReview@finance.gov.au)

## **PGPA Act Review**

Dear Ms Alexander and Mr Thodey

As the primary union representing Australian Public Service employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates.

The CPSU welcomes the opportunity to make a submission on the draft report of the Independent Review into the PGPA Act. Our submission will address the:

- reporting of contracts and consultants,
- performance framework,
- managing and engaging with risk,
- reporting of executive remuneration, and
- consultation.

### Reporting of contracts and consultancies

The CPSU welcomes the Review's finding that the *"current arrangements for reporting spending on contracts and consultancies do not provide sufficient transparency to the Parliament and citizens."*

The CPSU is, however, concerned that agencies do not seem to think reporting is an issue. The CPSU notes the Review found that *"in our discussions with entities, only a few raised issues about the reporting of contracts and consultancies. Their primary concern was around apparent duplication of presenting this information across annual reports, AusTender and the Senate Order on Entity Contracts, and the effort this involves."*

While annual reports are required to provide a summary statement on consultancies detailing the number of new contracts, the total actual expenditure on all new contracts, the number of ongoing contracts and the total actual expenditure, there is no requirement

to provide information on non-consultancy contracts related to staffing nor details on the consultancy contracts themselves.

The CPSU agrees with the report's recommendation that the definition of 'consultancy' and the use of the 'consultancy flag' to identify consultancy contracts in AusTender should be clarified. The CPSU previously recommended to the JCPAA, in our submission to the inquiry ANAO Report No.19, that there should be a review of current categorisation of information in AusTender and provide improved guidance and staff training to help ensure consistency.

The CPSU is also supportive of the report's recommendation to list all organisations and/or individuals that receive 5 per cent or more of the entity's total expenditure on contracts and consultancies.

The report's recommendations to provide total aggregate expenditure on contracts and consultancies and the number of new and ongoing contracts in the reporting period are, however, insufficient. The Table A example in Appendix D of the report shows it would only provide a total number of contracts and spending rather than any meaningful information. It is a minimal improvement on the current situation where annual reports provide very limited information – typically just the number of contracts and overall new and ongoing spending with little to no detail about the reason for the procurement and no detail about outcomes. This is unacceptable in a public sector environment where transparency and accountability should be paramount.

While some information on contracts as consultancy services can be obtained from AusTender, it can be difficult to determine exactly how much has been spent on specific types of non-consultancy services such as the use of contractors and labour hire. Annual reports do not provide this information either.

The CPSU notes that agency submissions to the JCPAA inquiry into ANAO Report No.19 provided a breakdown of consultancy and non-consultancy contractor expenditure by the top 3 categories as well as expenditure by those categories which proved far more useful.

Despite the acknowledgement of a lack of transparency, it is concerning that the draft report has emphasised the supposed 'reporting burden of entities', stating that *"if the Parliament wishes to require additional information on contracts and consultancies, we would encourage it to consider the burden that this would impose on entities."*

The report stated that *"the Parliament has added incrementally to the reporting burden of entities, requiring information including lists of departmental files, lists of contracts and consultancies, statements on advertising and public information projects, lists of appointments and lists of grants."* While the Parliament has added additional requirements, the current lack of information and transparency is a driver of these requirements. Agencies should be properly resourced to meet these requirements, rather than transparency and accountability being sacrificed.

There is clearly a strong case for the Commonwealth to mandate new and improved reportage requirements for transparency and accountability. Improved reporting requirements for contractors and consultants will only occur if there are consistent service-wide obligations on agencies. Agencies should also report expenditure and the number of non-APS employees (inclusive of contractors, consultants and labour hire) as part of the total entities' workforce in annual reports.

## Performance Framework

The CPSU supports the recommendation to amend the PGPA rule to include a requirement that performance information must be relevant, reliable and complete. It should, however, also include a general obligation to involve frontline staff in developing and monitoring performance information.

The CPSU agrees that measuring public sector performance, including the quality of policy outputs, and the effectiveness of government activities and programs, can be difficult. While greater emphasis should be given to the importance of the measurability of performance information and agencies should have some flexibility, care must be taken in the setting of performance targets to ensure that it does not lead to perverse incentives. For example, in service-delivery areas, performance management processes tend to focus on easily measurable specific targets, such as time spent on the telephone to the client, rather than on the quality of service provided to the client.

To ensure performance measures are 'relevant', 'reliable' and 'complete' and focus on quality of services and policy outcomes and not just on specific measurable targets, employees should be involved in discussions about the setting of performance measures and how they will be achieved.

Employees are uniquely placed to provide input into how public services can be improved and ameliorate risk when addressing the complex issues we face. Properly involving and utilising the capacity and experience of the APS workforce will result in better public sector and services.

## Reporting of executive remuneration

While the CPSU agrees that current arrangements for reporting executive remuneration are insufficiently transparent and accountability, and broadly supports the recommendations to disclosed executive remuneration in annual reports and explain remuneration policies and practice, this does not go far enough.

Accountable authorities should also publish executive remuneration comparisons with the rest of the workforce of Commonwealth entities and companies including publicising executive and agency head incomes compared to the average and minimum incomes in their agency. Agencies should track, publish and explain the pay multiples of senior executives compared to ordinary public servants over time in annual reports. As noted in the UK Hutton Fair Pay Review:

*Greater transparency, disclosure and explanation will allow a more rational and informed debate on senior public service pay, and enable citizens to hold public service organisations to account. This will remove the need for simplistic benchmarks.<sup>1</sup>*

## Managing and engaging with risk

The CPSU agrees that "accountable authorities must give officials the right incentives to positively engage with risk, by rewarding effective risk engagement and encouraging

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<sup>1</sup> Will Hutton, [Hutton Review of Fair Pay in the Public Sector](#), 15 March 2011

*learning from failure, rather than rushing to punish failure,”* however, the recommendations solely focus on establishing processes and new structures rather than providing resources for employees. In order to fully develop a culture that engages effectively with risk, it is important that employees have the right skills and capacity to engage with risk. Employees need appropriate learning and development opportunities and a supportive performance and management culture.

The availability of learning and development opportunities across the APS is still haphazard. The provision of these opportunities has also been significantly affected by ongoing budgetary pressures. More needs to be done to ensure these opportunities are available.

In addition, learning and development often focuses on skills and knowledge that employees need to do their current job. To enhance employees' capacity and understanding of how to engage with risk, a focus should also be on broader skills and knowledge that would assist them in their public service careers.

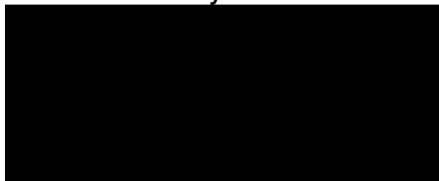
The management culture is also important. Too often, performance management processes are applied punitively. Whilst addressing any underperformance issues must be an aspect of performance management processes, there also needs to be an emphasis on improving and facilitating high performance. Employees should be encouraged to identify opportunities or changes in workplace practice that would help their performance. This must include recognition that innovation and engaging with risk involves the possibility of failure. If failure triggers punitive performance management, it should be no surprise that employees will avoid risk, thus limiting possibilities for innovation.

### Consultation

The CPSU also notes that consultation meetings were held with the big four consultancies despite them not providing a written submission. It is unclear why the Review met with the big four consultancies and not a wider range of stakeholders prior to the draft report being published.

For further information, please contact Osmond Chiu, Policy and Research Officer via email [Osmond.chiu@cpsu.org.au](mailto:Osmond.chiu@cpsu.org.au).

Yours sincerely



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