

The National Commission of Audit: Overview of Processes and Production of the Report.

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1. This paper provides a flavour of the process followed in preparing the report of the National Commission of Audit.

Background

2. The terms of reference for the National Commission of Audit were broad and the Commission was asked to report within a relatively short timeframe. The first phase report was scheduled for completion within three months (31 January 2014) with a view to it being a central input into the Government's budget process. The Phase Two report was due two months after that (31 March 2014). The 2014-15 Budget provided a vehicle for implementing many of the outcomes and recommendations from the Commission of Audit.

3. The Commission comprised five Commissioners – Tony Shepherd (a leading business figure); Peter Boxall (a former Secretary of various Commonwealth departments including the Department of Finance); Tony Cole (a former Secretary of the Treasury); Amanda Vanstone (a former Cabinet Minister); and Robert Fisher (an experienced Western Australian public servant with expertise in disability and human services).

4. The Commission was supported by a 25 person Secretariat headed by Peter Crone (Chief Economist of the BCA, former economic adviser to John Howard and former Treasury official). The rest of the Secretariat was drawn from staff seconded from Treasury and Finance (mostly at the EL1 and EL2 levels) with one member from the Department of the Prime Minister and Cabinet. There were five SES members of the Secretariat. The Secretariat was physically situated in the Department of Finance in Canberra.

5. A key risk for the Commission of Audit related to project management and project governance arrangements. The Commission Secretariat had responsibility for project planning, risk management arrangements and for stakeholder management planning. A Project Manager from the Department of the Prime Minister and Cabinet was seconded to the Audit.

6. The Government made it clear that the National Commission of Audit was to be sequenced and synchronised with other major reviews including the White Paper on Tax Reform and the White Paper on the Federation, as well as a Review of Welfare Payments and various Productivity Commission reviews including into Child Care.

7. Ahead of the Audit commencing, the Head of the Secretariat met individually with the Secretaries of the Department of Prime Minister and Cabinet and the Department of Finance and a Deputy Secretary at Treasury

Approach to the task

8. At the first meeting of Commissioners convened on 1 November 2013, Commissioners considered a possible outline and structure of the report, as well as a suggested timetable for its production.

9. The proposed outline and structure was designed to cover off what was a very broad and comprehensive terms of reference. Commissioners were mindful of the challenge to deliver a report that addressed the terms of reference in a structured, thorough and digestible way.

10. This entailed crafting a coherent and compelling narrative – around the reasonable expectations of government and the need to modernise and transform the business of government in Australia. Commissioners were conscious of making a strong case for why Australia’s fiscal settings had to be placed on a stronger and more sustainable footing.

11. A timeline was formulated consistent with a suggested report structure, initially expected to comprise eight chapters. (Six chapter were to comprise a Phase One Report due on 31 January and a further two chapters for a Phase Two Report due at the end of March). Broad deadlines were set for the chapters, including the initial chapters which would be drafted and considered early on in the process.

12. In terms of the overall approach, Commissioners determined areas and issues relevant to the Audit that warranted particular attention and asked for short papers to be prepared on designated topics. Commissioners worked directly with small teams from within the Secretariat (including in all cases at least one senior executive) to progress this work.

13. At their first meeting, Commissioners identified a number of key areas for consideration (around 25) and individual Commissioners decided which topics they would like to oversee. In the end, each Commissioner was allocated four to five topics.

14. For each topic an issues paper and a recommendations paper (each of around 5 – 10 pages) were prepared and then subsequently circulated and discussed at Commission meetings.

15. Commissioners met collectively, usually fortnightly, to discuss progress, consider the various papers and associated recommendations and review preliminary drafts of report chapters as they became available.

16. Having agreed the intended structure of the report and allocated responsibilities, a project plan was developed (oversighted by an SES officer in the Secretariat and another designated officer) which set out a timetable for progressing the work – including which topics would be considered at which meetings, allowing time for clearance of drafts through the Head of the Secretariat ahead of circulation to Commissioners, and allowing scope for

comebacks to revisit topics as necessary. The timetable for considering topics was influenced by perceived importance/ priority of issues in the broader scheme of things.

17. As the drafting progressed, a summary was kept of issues that had been considered by Commissioners, recommendations that had been agreed and the status of drafting of specific sections of the report.

18. In terms of desirable length of the report and number of recommendations, the Commissioners at the outset expressed a preference for a shorter, more tightly written report of perhaps 150 to 200 pages with separate appendices, rather than a longer 400 to 500 page report. Also, they had a preference for a smaller number of recommendations, 50 to 100, rather than 300.

19. Commissioners agreed at their first meeting that it would be appropriate to keep the three key Ministers apprised of progress with the report's preparation, recognising however the Commission was independent and Commissioners would prepare their own findings consistent with the task outlined in the terms of reference. It was agreed that contact with the Prime Minister, Treasurer and Finance Minister would be confined to the Commission Chairman (with Head of Secretariat also involved). The Head of Secretariat would also maintain contact with the Ministers offices, as appropriate, but again respecting the independence of the Commission.

20. The Treasurer and the Minister for Finance attended part of the penultimate meeting of Commissioners in late March 2014.

Other matters

21. As well as providing seconded employees to the Secretariat, the Department of Treasury and Finance provided a number of background information papers, including those prepared at their own volition as well as papers specifically requested by the Secretariat.

22. In contrast to the 1996 Commission of Audit, when Treasury and Finance provided formal submissions, the involvement of these Departments with the 2013-14 Audit was more informal (though no less influential) e.g., by providing the background papers and other assistance as requested. Moreover, the Head of the Secretariat met separately with Dr Parkinson and Mr Tune every two weeks or so to discuss progress with the Audit, the approach being taken and the likely directions of the findings. A number of discussions also occurred with Dr Watt, the Secretary of the Department of the Prime Minister and Cabinet through the process.

23. The Chairman of the Commission and the Head of Secretariat met with each Departmental Secretary and major Agency Head (often more than once) to discuss matters raised in Departmental Submissions to the Audit. Face to face meetings were also held with

several Premiers and Chief Ministers. Meetings were also held with other stakeholders including, among others, the head of the ACTU and ACOSS. The Chairman and one Commissioner also met with the Chairman and Chief Executive of the National Disability Insurance Agency. Meetings with the heads of the Parliamentary Budget Office and the Australian National Audit Office were especially useful.

24. The Commission of Audit was provided with a budget of \$1 million to cover administration, office supplies, printing, Commissioner sitting fees, travel and accommodation and consultancies. In the event around \$650,000 of this Budget was used. (This did not include salaries of staff seconded to the Secretariat which were absorbed by their home department.)

25. The Commission engaged three consultants – Boston Consulting Group provided advice (essentially pro-bono) around the structure of government and departments and the public service; Mr Stephen Matchett was engaged to provide professional editing services; and Professor Gary Sturgess was engaged to provide additional advice on issues around contestability of public services.

26. The Commission received more than 300 submissions. These were recorded and examined within the Secretariat with SES officers responsible for examining and progressing submissions within their allocated areas of responsibility. Summary information on submissions was provided to Commissioners and Commissioners had access to - or in cases specifically sought - submissions. In some instances meetings were held with people or groups who lodged submissions (although given the tight timeframe involved it was not possible to meet with every group who made a submission). Public submissions were made available on the Commission of Audit website upon release of the Final Report.

27. The Secretariat was filled with talented and enthusiastic officers. Individual Secretariat members had direct access and association with Commissioners during the preparation of the issues and recommendations papers in their designated areas. A daily meeting was held during which one of the SES would provide a summary of priorities and developments.

28. A formal meeting of the Secretariat was usually held the day after each full meeting of Commissioners to provide feedback on the discussions and the progress achieved. (The SES members of the Secretariat attended the meetings of Commissioners). The Secretariat members were highly dedicated and took great pride in their work and the work of the Commission. They were extremely proud of the Report. Commissioners were also effusive in their praise of the Secretariat (including via emails as the work progressed).

29. The fact that a Senate Select Committee was established to examine and report on aspects of the Commission of Audit provided something of a distraction. Several days were lost in January – a critical period in the Report's production – preparing for and attending a Senate Committee hearing. While this amounted to an untimely diversion of resources,

Commissioners nonetheless recognised that this represented a legitimate part of Australia's parliamentary process and sought to cooperate to the extent practicable.

30. The production of the report was relatively smooth and remained on track throughout the process. Work commenced immediately on the drafting of the early chapters (Chapters 1 to 4) and these were largely endorsed by Commissioners ahead of Christmas. Likewise, the work on the detailed issues and recommendations papers on the various key topics (age pension, NDIS, health, defence etc), once completed, was fairly easily reconfigured, shortened and tightened for inclusion in the main report. This was done through early and mid January. The more detailed information from the issues and recommendations papers was included in the report appendices.

31. The Phase Two Report had a slightly different tone and emphasis, with a focus on infrastructure and public sector efficiency. With the assistance of the Public Service Commission and Boston Consulting the Secretariat provided a questionnaire to Departments on certain staff structure issues and corporate overheads. A strong response rate provided the Commission with a useful set of data.

32. Given the expertise and extensive public policy experience of the Commissioners, the quality of the secretariat and the ongoing contact with the Secretaries and Treasury and the Department of Finance, the Commissioners remained fairly confident in their approach and the progress that was achieved as the report developed. As a safeguard, however, informal and confidential soundings were taken with external experts in certain areas (e.g., management of the Commonwealth property estate, IT etc) outside of government to test directions and findings and alert us to potential problems in some areas.

33. The Phase One Report was delivered to the Government on 14 February 2014 and the Phase Two Report on 31 March 2014. The Government released the Report in its entirety (i.e., the Phase One and Phase Two Reports and three detailed appendices) on 1 May 2014.

34. The period between submitting the reports and their public release was 76 days and 31 days respectively for the Phase One Report and the Phase Two Report.

35. In other Commissions of Audit, the number of days between reporting date and release date varied from the same day in the case of the 1996 National Commission of Audit; 22 days for the 2009 Sustainable Budget Commission (SA); 61 days for the 2012-13 Queensland Commission of Audit; 75 days for the 2008 Economic Audit Committee (WA) and 102 days for the 2012 NSW Commission of Audit. The 2011 Vertigan Review of Victoria's State Finances was never released.

Lessons and Advice

36. Ensure the project is well resourced especially with people who have the right expertise (but make sure there is a good mix and range of expertise).

37. Set out a clear purpose and approach – recognising it will be impossible to completely cover the field when it comes to ‘government’. Concentrate on the things that really matter. This will allow you to stay the course.

38. Start the drafting early. Doing this took enormous pressure off at the later stages of the process and allowed discussions at the end to be quite focused and productive.

39. By all means have meetings with stakeholders etc, but again get as many of these done early on in the piece. These types of meetings can be very time consuming (e.g., have a high opportunity cost).

40. Be parsimonious with use of consultants. Be very sure of what you want them to do. Finalise contracts quickly.

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