

12 October 2018

State Sector Act Reform Consultation
State Services Commission
P O Box 329
Wellington 6140
NEW ZEALAND

By email: submissions@havemysay.govt.nz

Dear Sir/ Madam

Subject: Consultation on State Sector Act Reform

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

As a general observation, CPA Australia finds the New Zealand public service to be highly professional, efficient, collaborative and innovative.

Further, we think this review could be historically very significant, and not just for New Zealand's public service.

CPA Australia has chosen to confine its suggestions on the Review to management, accountability and accounting in the state sector. We would like to thank John Gill for his input into this submission.

Below are our suggestions and comments for the Review's consideration:

- The public sector reforms of the 1980s led to the creation of smaller more sharply focused agencies, often with policy and operations separated. Members have observed that an unintended consequence of this change has been competition between agencies for prestige and resources at the cost of collaboration. We have at times noticed a similar trend in Australia where policy development and operations are split between different agencies.

Several of the proposals suggest pragmatic ways of remedying this to get better policy advice to ministers. However, this must not cloud the need for clear accountability of chief executives and ministers. We suggest that the Review closely consider how other jurisdictions are addressing this issue, and test different models before a preferred model is recommended.

Members have commented that existing linkages between inputs, outputs and outcomes are tenuous. Effectively these are financial matters, which may be viewed in some quarters as remote from the business of departments and agencies. Members have informed us that financial management in much of the state sector needs to be enhanced.

- The state sector has significant differences from the private sector and these are important and should be understood and reinforced in the Review. This includes risk management. There is a widely held perception that the state sector is highly risk averse. This is false. Most of what the state sector does, for example in health, education, welfare, police, prisons, defence and housing has high levels of failure. It always will.

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- Those most in need of services from the state sector often have little influence over policy and service delivery. The state sector could improve its consultation and engagement with such people.
- It appears the recent focus of the state sector has been on efficiency. We encourage the Review to consider how to encourage the state sector to have a stronger focus on effectiveness.
- We are of the view that chief financial officers (CFOs) of a department or agency should always report directly to the CEO. The CFO should also have access to the Minister, the Treasury and the Auditor General's office. Members have informed us that over the past 20 years many CFO roles, formerly direct reports to the CEO, have been downgraded to level 3 or level 4.
- We have noticed in Australia and New Zealand that CFOs in the state sector are taking on greater responsibility for performance management and reporting. We suggest that including this in the Act be considered by the Review.
- It is suggested that a Chief Executive should be accountable to only one Minister. The present arrangements in several departments such as the Department of Internal Affairs and MBIE where a Chief Executive reports to several ministers, may cloud accountability.
- The relationship between CEO and Minister is very important. Given this, greater clarity around how meetings between them should be conducted and their frequency may be desirable. Ideally, they should meet at least weekly, with minutes taken.

New Zealand's Westminster style system depends on openness and an audit trail of decisions. Ministers don't have to take advice but the public service needs to make sure that it is given, when needed, and that it being given is a matter of public record.

- We generally support proposals to encourage mobility of departmental staff. It is our view that departments and agencies have clearly benefited from accounting officers having experience in several agencies, and this would apply to other occupations. However, some occupations such as social work, education, health and police tend to call for depth rather than breadth of experience.
- We have received feedback that new departmental and agency CEOs often initiate restructures which result in considerable loss of experience. Ideally, new CEOs should strive to maintain such experience unless there is evidence of issues that need addressing.
- We suggest that the Review consider incorporating an independent post-implementation review into the Act. Such a post-implementation review should test the effectiveness of any reforms adopted and be public.

If you have any questions regarding this submission, please do not hesitate to contact Gavan Ord, Manager – Business and Investment Policy on +613 9606 9695 or gavan.ord@cpaaustralia.com.au.

Yours faithfully



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CPA Australia