



Australian Government
Department of Immigration and Citizenship

Opening Address
Corporate Governance in the Public Sector 2007

Mr Andrew Metcalfe
Secretary, Department of Immigration and Citizenship

Embargoed until 9.10am, 13 March 2007

delivered by Ms Carmel McGregor
Deputy Secretary, Client and Corporate Services Group

Introduction

It's a pleasure to provide the opening address for this event.

And I want to start by challenging delegates to think beyond the boundaries of the term 'corporate governance'.

Governance is much more than rules, regulations, accountabilities, structures and frameworks. For me governance is also about institutional and individual attitudes, leadership, values and behaviours.

These are issues which cut across all areas of an organisation and I think if we add 'corporate' to the term 'governance' in the public sector, we run the risk of pigeon-holing governance as just a corporate issue and adopting too narrow a perspective.

To be effective, governance has to break out of the corporate area and be on the minds of every person in our organisations. We need each staff member — in the hundreds of actions they take and decisions they make every day — to be well supported and guided in their tasks by a comprehensive set of ideal behaviours and values.

This guidance needs to be easily accessible and credible to staff. And it needs to be driven from the top down through strong leadership, supported by an effective committee and reporting structure and chief executive instructions — the framework that is usually thought of as corporate governance.

I consider that we achieve good governance when we integrate robust organisational structures and accountability with measures that achieve strong leadership, disciplined performance, ethical conduct and professional relationships with our stakeholders and clients.

Governance failures in the former DIMIA

Using these broader definitions, there were clearly serious failures in governance affecting Cornelia Rau, Vivian Alvarez and other people held unlawfully, as documented in the Palmer and Comrie reports released in July and September 2005 and subsequent reports by the Ombudsman.¹

I acknowledge again that the department made clear and substantial mistakes, for which we have apologised fully and frankly. We have made, or will make, other reparations to those affected.

One of the most important tasks I took on with my appointment as Secretary of the department in mid-2005 was to build a new governance framework and culture in the department.

To do that, we first had to develop a shared understanding among the senior managers and staff of why these failures had occurred.

This was not an easy task. We had to recognise the considerable experience and insights of people who had worked in the pre-Palmer environment, while being clear that nearly every aspect of our governance needed fundamental reform. We had to engage people across DIAC to ensure ownership of the new approach at all levels.

We had to acknowledge failures had occurred. But we also had to recognise that in some areas, the department is a world leader — for example, in planned migration programmes and border technology. And we had to recognise that some staff had been directly and personally affected by working for long periods in difficult and sensitive areas of administration.

These were delicate and complex issues, and we had very little time to resolve them. Not surprisingly, we were under significant pressure to show quick results that the culture of the department had changed for the better.

Looking back now, this pressure meant that we were perhaps not sufficiently comprehensive in some of our early decisions, and in now seeking to act comprehensively, we are feeling the pressures on our overall resourcing.

We also faced a significant challenge in drawing out the potential of our Senior Executive Service as a unified, high-level leadership team, working across a globally dispersed organisation. In the pre-Palmer environment, many senior managers had significant autonomy over their resources and operations. We are migrating to a very different model where all leaders in the department must share and implement a common view on core issues such as governance, priority-setting and resourcing.

This is a huge cultural change which is exacerbated by the need to continue to run a very large and complex business, and also make major transformations in that business through initiatives such as overhauling our legacy IT systems and business processes.

¹ Inquiry into the Circumstances of the Immigration Detention of Cornelia Rau, Mr Mick Palmer AO APM, July 2005.

Inquiry into the Circumstances of the Vivian Alvarez Matter, Report by the Commonwealth Ombudsman, of an inquiry undertaken by Mr Neil Comrie AO APM, September 2005

A week in the life of DIAC

The department I lead has nearly 7000 staff, dispersed globally across around 80 offices and operating around the clock.

Recognising that we provide services at the borders and in other areas on a 24-hour a day basis, during a typical week, my department will:

- receive over 30 000 phone calls through our contact centres,
- grant nearly 3000 visas for permanent stay in Australia, and
- grant citizenship to nearly 2000 people.

We had to keep this core business going while also implementing a comprehensive business and cultural transformation.

The Kotter model

In tackling this massive transformation, I was attracted to the John Kotter model of change management and I want to run briefly through each of the eight steps in the model today in terms of our governance.²

I should say at the outset that I do not like using ‘managerialist’ language, preferring to use more familiar ways of expressing concepts. In this presentation, to ensure there are no misunderstandings, I will use both.

The **first step** is to establish a sense of urgency for change. When I arrived in July 2005, the government and many stakeholders were eager for change to occur and many staff recognised that the status quo was not working. However, we did face some early lack of engagement from some staff who felt incorrectly that the problems were confined to other areas of the organisation and that they therefore did not need to change.

I have constantly worked with our staff to ensure everyone understood we all needed to embrace our new ways of working.

One key development has been the influx of a significant proportion of new managers and staff through replacement or addition, bringing with them the normative effect of attitudes and cultures prevailing in the wider public and private sectors. There is now much greater acceptance that change is an essential aspect of any highly performing public or private sector organisation.

While we didn’t start out naming governance as the leading conceptual change required, the work we have done has been heavily focussed on governance issues. To begin with, it was necessary to talk about the clear failures in client service, accountability and leadership, lest we lose our staff in a sea of abstraction. Talking about these concrete and critical issues has prepared the ground for organisation-wide reflection about our culture and values. In turn, this has allowed us to build a solid case for tying together our many client service, culture and values initiatives in a strong governance framework.

The **second step** recommended by Kotter is to form a powerful, guiding coalition.

Or, in my words, a leadership team who will help drive the change that was (and still is) needed.

² ‘Leading Change’, John Kotter, Harvard Business School Press, 1996

One of my very first decisions as secretary was to establish a small, high-level Change Management Taskforce to support the executive team in developing the change agenda.

I drew on people from outside the organisation, to bring a fresh perspective, as well as committed staff from inside the department to bring an understanding of the business and the department's culture. We obviously worked very closely with the portfolio minister and central government agencies.

The deputy secretaries and the taskforce met with me every morning for four months to craft the messages that would go out to staff, cut through any road blocks and calibrate all the different streams of activity underway.

This group was a natural forerunner for our present Executive Management Committee or EMC.

The EMC consists of myself, the three deputy secretaries, the Chief Finance Officer, our Chief Lawyer and the managers of our Strategic Policy and National Communications Divisions.

The committee is a powerful and valuable resource for the good governance of the department. I think corporate disasters like Enron in the US and the HIH collapse in Australia a few years ago, demonstrate that as well as having appropriate structures and approaches to governance, the quality of the people in key positions is very important.

The Executive Management Committee would not be as effective without the combined expertise and insight of the people involved and we could not have made the progress we have in the tricky issues of transforming our culture without this resource.

We meet for at least three hours each week and we cover a great range of activity. We use the committee to set strategic directions and corporate priorities across the organisation, and ensure our top leaders are aware of key developments.

Having established this leadership team within the department, our greatest challenge now is to support all our leaders across our onshore and offshore offices to adopt consistent approaches within a strong unified framework.

The **third step** in the Kotter model is to create an appropriate vision for staff. We needed to make it clear what was important and where we are going.

In some ways, this was the easiest and the hardest part of the whole process.

It was easy because it wasn't difficult to define the key elements of our vision. Among other things, we wanted to be a high-performing organisation focussed on excellence in client service. We wanted to be respected for our work externally, as well as being an employer of choice within the Australian Public Service. And we knew our staff wanted this by their comments in our staff survey and other feedback mechanisms.

The hard part of creating a new vision was to develop ownership among the staff for these goals and the cultural change required, as I've already mentioned.

I should also mention some of our staff have very difficult jobs, such as sometimes detaining people who are in the country unlawfully, or working at the borders to ensure people are not attempting to enter illegally. This work can be very emotionally and personally demanding, especially where clients exhibit difficult or confronting behaviour. For anyone who has watched the programme 'Border Security' on television recently, this provides a glimpse into the difficulty of this work.

Where perhaps we had gone wrong in the past, was not to realise that unless we define and constantly reinforce appropriate behaviour and values for our staff, there is the possibility that staff will develop their own value set based around the very difficult work they do.

So since the Palmer report, we have worked very carefully to clearly communicate the appropriate behaviours and values for the organisation as a whole, in line with the **fourth** of John Kotter's change management principles.

Instilling a new culture of behaviour and values has to come from the top. The leaders in an organisation are closely scrutinised and we have to be seen to be living the values we espouse for others to follow. Members of Generation X and Y will be especially quick to spot any hypocrisy of this sort.

At the same time, the magnitude and nature of the culture change required meant that all staff had to be participants in the process. It was essential that each staff member felt ownership of the department's new direction.

As I mentioned earlier, we had to develop a collective understanding across the organisation of where we were and where we were going.

We started by developing a very clear statement of what we do, through the motto — **people** our business. '**People** our business' was developed after asking for staff input, so there was ownership and pride taken in this fundamental statement of what our work is about.

We added another level of detail by developing three strategic themes for the organisation to guide every aspect of our work.

These are to:

- be an open and accountable organisation
- have fair and reasonable dealings with clients, and
- ensure well-trained and supported staff.

I communicate regularly and frequently with my staff through twice-weekly emails, video messages on specific topics and an all-staff video presentation on a major issue every six to eight weeks.

In all these communications, I ensure the three themes are constantly reinforced and linked to whatever issue I am discussing. This is to guide staff so they are in no doubt as to what we are doing — and how and why we are doing it. The themes are at the top of my 'home' page on our intranet. I ask my staff to undertake their work with these three themes in mind for everything they do.

As I said, it was vital that staff bought in to the reforms and as part of our approach, I instituted a feedback mechanism on my home page, so that any staff member can email me at any time and know their comments will be taken seriously.

And in the major exercise of developing our overarching Plan for 2006-07 — the high-level plan that guides all our work — we asked for feedback on the contents and text, with many useful suggestions forthcoming.

This Plan has been a critical element of communicating the vision for the future of the organisation. It sets out in a dozen small pages, clear direction on our purpose, what we value, expected leadership behaviours, our strategic themes, expected outcomes and strategic priorities. The Plan was developed in consultation with our staff and our stakeholders, and has been the foundation for all subsequent communication about our values and culture.

The **fifth** principle is to empower others to act on the vision, and I've already covered that in terms of seeking feedback and encouraging staff to participate in the process of developing the reforms.

As I have also mentioned, one key challenge is to have our leadership team working in a unified way across the Australian and overseas offices and the myriad of discrete functions we undertake.

We have had regular senior executive forums where all Senior Executive Service (SES) officers come together to discuss and reflect on current issues and undertake strategic planning. I insist that every SES officer spends some time at a client service point each year so they have an insight into the demands on our client service staff. And as much as possible, I ensure that SES officers in the state and territory offices and overseas posts are not isolated in terms of opportunities to interact with other SES and the National Office in Canberra.

I communicate to staff in two major ways — directly through my home page, twice-weekly emails and all-staff addresses, and indirectly through their managers. There is some research by T. J. Larkin in his excellent book 'Communicating Change'³ showing that staff want to hear messages from their immediate supervisor more than from the CEO. However this research also finds that important and strategically-timed messages from the CEO play an important part in communicating change. So I encourage all the leaders in the department to discuss my messages with their teams.

The **sixth** Kotter principle is that we have to create and plan for short-term wins. This was relatively straightforward — once we started to develop new programmes around client service, values and leadership, there were regular achievements and progress to draw attention to.

In the past twenty or so months, we have delivered major initiatives in key areas, including:

- client service, through our flagship Client Service Improvement Programme and an initiative to establish case management for complex or sensitive cases
- training, through the College of Immigration — with the Advisory Board now chaired by Mick Palmer — and greatly boosted leadership training
- values, ethics and high-quality decision making, through a new training and discussion tool known as IDEAL, and other initiatives such as our Onshore Compliance Strategic Plan,
- detention services reforms, including tendering for the Detention Services Contract and the Detention Health Services Contract as separate processes
- stakeholder engagement, through the establishment and staffing at a senior level of our Stakeholder Engagement Taskforce

³ 'Communicating Change: Winning Employee Support for New Business Goals', TJ Larkin & Sandar Larkin, McGraw-Hill, New York, 1994

- planning, through the first overarching departmental plan and the cascading business unit plans that sit underneath it
- information technology, through the roll-out of a more integrated and accessible IT system under the \$495m *Systems for People* programme, and
- governance and resource allocation, through the reforms driven by the Executive Management Committee.

The list I have just been through demonstrates that we are also working through the **seventh** and **eighth** principles in working to consolidate improvements and to keep the momentum for change moving. It should also be clear that we are anchoring the cultural change by institutionalising the new approaches through major initiatives across the organisation, but especially in business planning, resourcing and risk management.

Governance in DIAC

I should speak about our formal governance approaches in more detail, bearing in mind my earlier comments about the quality of the people in key positions, seeing governance more broadly than just the structures and how we focused on failures in client service and accountability as a way of introducing the broader issues of governance to staff.

Essentially, we had to institute a new governance regime, with a whole range of structures and supports to improve planning, performance, accountability, communication and decision-making. These were mechanisms most counterpart agencies already had in place.

What we needed to do in the department was to implement the essential governance mechanisms that would support a performance-based culture.

The key initiatives we undertook were to:

- establish a new Governance and Assurance Branch to oversee the strengthened audit programme and bring focus to areas identified as weak in the Palmer Report, such as risk management, quality assurance, records management and client service
- expand our audit programme, and
- strengthen our performance through robust corporate and business planning.

Our Governance and Assurance Branch has developed Chief Executive Instructions on governance in general and about the governance committees in particular. These instructions set out how the department is held accountable, how we plan, how we manage performance and how the work of our staff is circumscribed by legislation, policies and codes that require them to act in a certain way.

We set up a number of committees, including a specific committee to address values and standards, and another committee on programme performance management. The Values and Standards Committee includes an APSC member, an Ombudsman's representative, as well as two former senior public servants. Having external members of key committees provides a necessary independent view. Our Departmental Audit and Evaluation Committee is chaired by an external person with an additional external committee member.

And we have been inviting prominent external speakers such as the Secretary of the Department of the Prime Minister and Cabinet, the Public Service Commissioner, the President of the Human Rights and Equal Opportunity Commission, the Auditor-General and the Ombudsman to address our SES as part of the Governance and Leadership seminar series.

We have also established:

- a new client service charter
- a model for better communication with stakeholders, and
- resources to help leaders guide their teams in making complex decisions.

We have put a lot of effort into building our leadership capability through training and defining the leadership behaviours we expect of our staff and project managers.

We also developed the management and leadership decision-making tool called IDEAL, which I have already mentioned, which teams can use to explore a variety of ethical and other dilemmas.

To summarise, our governance system is made up of a number of interconnected elements:

- strong and effective **leadership** to set the ‘tone from the top’, provide **strategic direction** and uphold and exemplify our values and standards
- a focus on **accountability** to our minister and parliamentary secretary, the parliament and stakeholders
- effective **performance** against goals and standards in our corporate plan, business plans, service delivery plans and individual performance and learning agreements
- decisions that comply with the **controls** that govern how we do business - legislation, policies, guidelines, instructions and published standards, and finally
- independent audits and other interventions to give the **assurance** that our outputs and activities are being delivered effectively, efficiently, lawfully and in a fair and reasonable way.

In developing our approach, we naturally gave some thought to the key governance factors in turning around under-performing agencies, such as:

- regularly reviewing governance arrangements, policies and procedures
- engaging in regular management meetings on key issues
- managing strategic risks
- monitoring key business processes and results
- reviewing human resources, finance and auditing processes, information technology and communication channels, and
- record-keeping.

Record-keeping had a significant role in our own governance failures. Over a few decades, the department has been making the transition from a paper-based records system. Twenty years ago our clients would have had a paper file which contained all the information the department held about that client. These days, we are in a hybrid situation where we have paper-based and electronic interactions with clients, as well as multiple sources of information coming in such as through email and the internet.

These multiple sources and media have made it difficult to develop and maintain a complete understanding of our interaction with a client.

Proper record-keeping may be seen by many as boring, but it is fundamental to good governance. In my department, we will soon release a range of portals under our *Systems for People* IT programme, so that staff will see a single view of a client's history, be confident about a client's identity and be confident they have a client's only record.

The future of public sector governance

Before concluding, I would like to speak briefly about some of the governance challenges that I believe will confront the public sector in the future.

A key task will be to determine how we respond to the demands from clients for a different quality of service from the sector.

Our clients' expectations of a streamlined, flexible, efficient and responsive government sector will continue to grow, in line with the kinds of service delivery they experience elsewhere, such as through automatic teller machines or through the internet.

I believe our clients will demand service that is seamless, secure, simple, accurate and accessible.

Seamless servicing comes from whole-of-government solutions. We need a 'no wrong door' approach, with on-line client-oriented portals serving up the right information and services to meet the client's needs, so they are never shunted from one agency to another. Seamless servicing also includes a growing demand from clients to cut back on repetitive form filling by enabling their details to be provided once only for multiple purposes.

Secure servicing is a required response to the natural desire of citizens to have the information they provide kept private and confidential to the legitimate purposes of government only.

Agencies will have to become even more vigilant in safeguarding the privacy of the information that citizens communicate to them, instilling in employees and contracted third parties that this information is a valued asset, whose misuse is treated every bit as seriously as fraud.

The negative impact on business and clients from 'red tape' is well-known. So the demand for genuinely **simple** services is not likely to go away and will increasingly require looking at how our rules and regulations are working as part of business process reviews.

In my department we have learnt the hard way that the public has a low tolerance for poor quality service delivery. Agencies will have to deliver a stronger focus on **accurate** services by building in robust quality assurance measures at key stages of their business processes.

Finally, I should point out that DIAC is one of a small number of Australian Government agencies who offer services to clients around the globe, such as the Department of Foreign Affairs and Trade, Invest Australia, AUSTRADE and a few others. However, many young and skilled Australians are now living and working for extended periods overseas. All government agencies will need to examine how they make their services **accessible** to people who may be away for a period of time or move between this country and others as necessary.

Overall, when thinking about future governance challenges, we should not lose sight of our clients' expectations for whole-of-government service. A significant number of clients will not distinguish between levels of government let alone individual agencies. Failures in the delivery of such services by agencies are seen as failures in government — and government is our key stakeholder.

Conclusion

In conclusion, I think it's much easier to identify the failures in governance when they occur than to anticipate them. Complacency is the enemy of good governance and successful governance is not demonstrated by the apparent absence of a problem.

In DIAC, we put stronger governance arrangements in place a year ago, so it's time to check we are on the right track. We are currently reviewing our governance arrangements to fine tune them and set directions for the future. In particular, we are working very hard to align the quantum of our external resourcing to the levels of our performance.

What will not change is the continued roll-out of programmes and communication to ensure our governance arrangements are visible to every member of staff and useful to them in their work.

Without diminishing the size of the task, or its importance to our clients and stakeholders, I must add that we had a rare opportunity to institute new arrangements almost from scratch. This meant that there was a freshness to our approach in presenting governance to staff, and we have been able to keep the momentum going because there have been many initiatives to roll out.

I have been mindful as we have established our new approach of the need to build staff confidence, trust and resilience so that we are ready for any future challenges.

It has been a pleasure to talk to you today and I wish everyone an enjoyable and fruitful time at the conference.

Thank you.