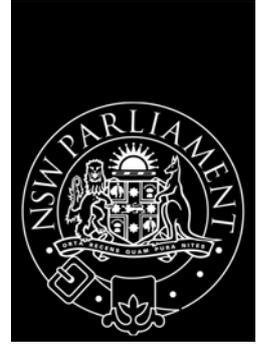


LEGISLATIVE ASSEMBLY



Public Accounts Committee

Report on Examination of the Auditor-General's Performance Audits Tabled November 2007 to March 2008

Improving Efficiency of Irrigation Water Use on Farms
Police Rostering
Managing Departmental Amalgamations

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| | |
|----------------------------|---|
| Chair | Mr Paul McLeay MP, Member for Heathcote |
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| Members | Mr Peter Draper MP, Member for Tamworth |
| | Mr Ninos Khoshaba MP, Member for Smithfield |
| | Mr Anthony Roberts MP, Member for Lane Cove |
| | Mr John Turner MP, Member for Myall Lakes |
| | |
| Staff | Russell Keith, Committee Manager |
| | Bjarne Nordin, Senior Committee Officer |
| | Eve Gallagher, Research Officer |
| | Alexis Steffen, Committee Officer |
| | Mohini Mehta, Assistant Committee Officer |
| | |
| Contact Details | Public Accounts Committee Parliament of New South Wales Macquarie Street Sydney NSW 2000 |
| | |
| Telephone | 02 9230 2631 |
| Facsimile | 02 9230 3052 |
| E-mail | pac@parliament.nsw.gov.au |
| URL | www.parliament.nsw.gov.au |

Terms of Reference

Public Finance and Audit Act 1983

57 Functions of Committee

(1) The functions of the Committee are:

...

(c1) to examine any report of the Auditor-General laid before the Legislative Assembly,

(d) to report to the Legislative Assembly from time to time upon any item in, or any circumstances connected with, those financial reports, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly...

Chair's Foreword

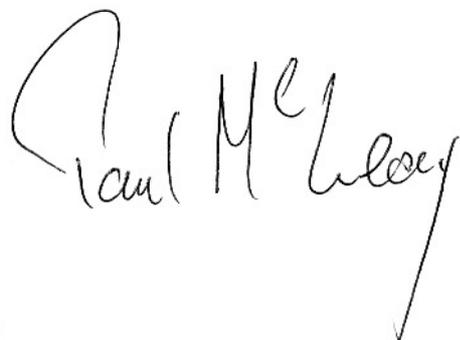
This report sets out the Committee's findings on agencies' responses to the Auditor-General's performance audits of improving farm irrigation practices, police rosters and departmental amalgamations. In accordance with the Committee's systematic performance audit review process, the Committee sought to determine how agencies had responded to the findings of the Auditor-General one year after his performance audits had been tabled.

The Committee was impressed with the responses of the Department of Primary Industries and the NSW Police Force as both had accepted all of the recommendations and had taken substantial steps towards their implementation. The Committee also welcomed the Department of Premier and Cabinet's support for the Auditor-General's Better Practice Guide to amalgamating departments, a document that will no doubt prove useful as the Government merges 160 agencies into 13 super departments. However, the Committee is concerned that the Department did not support the Auditor-General's recommendation to report on the success of amalgamations in annual reports. The Committee is of the opinion that the public ought to be informed of the success or otherwise of departmental amalgamations, and encourages the Government to table the findings of its formal evaluations of amalgamations in Parliament.

During the reporting period covered in this report, the Committee also inquired into the responses of RailCorp to the performance audit of signal failures, and the Department of Education and Training to the performance audit of its ageing workforce. Both agencies have done significant work to address the Auditor-General's recommendations but the Committee has further questions about some of their responses. The Committee has thus resolved to hold hearings on signal failures and the ageing teaching workforce so that it can better understand the agencies' actions.

The Committee thanks the Department of Primary Industries, the NSW Police Force and the Department of Premier and Cabinet for their submissions.

The Committee appreciates the assistance of the Auditor-General and his staff, as well as the assistance of the Committee Secretariat. I thank the Committee Members for their ongoing commitment to our work.



Paul McLeay MP
Chair

List of Recommendations

CHAPTER TWO – POLICE ROSTERING

Recommendation 1

The Committee recommends that the NSW Police Force implement best practice rosters throughout NSW by January 2010.

CHAPTER THREE – MANAGING DEPARTMENTAL AMALGAMATIONS

Recommendation 2

The Committee recommends that formal evaluations of departmental amalgamations be routinely carried out and that the results of the evaluations be tabled in Parliament.

Chapter One – Improving Efficiency of Irrigation Water Use on Farms

INTRODUCTION

- 1.1 Irrigation has played an important role in Australia's farming history. Irrigated agriculture has generated millions of dollars in revenue and supported many rural farms and communities.¹ In the five years until 1996-97, for example, irrigated agriculture accounted for just 0.5 per cent of total agricultural area, and yet it generated 51 per cent of the total agricultural profit.²
- 1.2 Nevertheless, the sustainability of irrigation farming has been an issue of debate among Australia's governments for over 20 years, and a range of nation wide water security measures have been adopted over that time.³
- 1.3 In this context, the Auditor-General sought to determine how effective the Department of Primary Industries had been in assisting farmers to adopt on-farm improvements in irrigation water use. While the Auditor-General identified areas for improvement, he also observed that the Department had promoted a range of valuable water efficiency initiatives for irrigators, worked well with government and non-government organisations to develop and promote its initiatives, and consistently monitored and published the results of its initiatives.
- 1.4 The Auditor-General made recommendations regarding maintaining close links with other agencies and stakeholders, improving research and development selection principles and negotiating funding from Treasury.
- 1.5 The Committee has reviewed the Department's response to these recommendations and is satisfied with the action the Department has taken. The Committee thanks the Department for its constructive participation in the inquiry.

THE PERFORMANCE AUDIT

Audit Objectives

- 1.6 The audit sought to examine the effectiveness of the Department of Primary Industries in assisting farmers to adopt on-farm improvements in irrigation water use. To do this, the audit asked:
 - if the Department had effective approaches for improving the efficiency of water use on irrigation farms, and
 - if the expected outcomes of the Department's initiatives for improving agricultural water use efficiency had been achieved.

¹ P B D Buffier (Director General of the Department of Primary Industries) in Auditor-General, *Auditor-General's Report: Performance Audit: Improving Efficiency of Irrigation Water Use on Farms*, Audit Office of NSW, NSW, 2007, p. 7.

² Auditor-General, *Improving Efficiency of Irrigation Water Use on Farms*, p. 11.

³ As above, p. 12.

Audit Conclusions

- 1.7 The audit found that the Department of Primary Industries had worked collaboratively with government and non-government organisations to develop a range of water efficiency initiatives and to educate farmers about those initiatives. Farmers, communities and the environment were identified as the beneficiaries of the Department's success.
- 1.8 The areas in which the Department had demonstrated improvements in water efficiency included the cotton, tomato, rice, potato, dairy and melon industries.⁴
- 1.9 Nevertheless, the Auditor-General concluded that the Department's R&D selection process was not sufficiently transparent, and that it had not sufficiently identified and informed Treasury of the link between its initiatives and its role in delivering State Plan priorities.⁵

Audit Recommendations

- 1.10 The Auditor-General made the following four recommendations concerning the need to maintain close relationships with government and non-government organisations, operate transparently, and secure funding:

| | |
|---|--|
| 1 | Work closely with agencies with which it shares responsibilities to ensure that its water use efficiency activities contribute to the State Plan goals (page 34). |
| 2 | Maintain its close relationship with stakeholders to ensure that they identify opportunities for new technologies and practices with the highest potential benefit (page 34). |
| 3 | Further develop the transparency of its R&D selection principles to demonstrate that projects and activities are funded in accordance with the mix of industry and public benefits they will generate (page 34). |
| 4 | Negotiate with NSW Treasury the resources it will require to meet its commitments to the State Plan, the future demands of the Commonwealth (including the NWI) and the effects of climate change. In doing so it should review best practice models in other jurisdictions for assisting and encouraging growers to adopt improvements (page 34). |

THE COMMITTEE'S EXAMINATION

- 1.11 The Committee was impressed with the high level of collaboration, innovation and evaluation identified in the Auditor-General's report. On collaboration, the report noted that "DPI has developed cooperative R&D alliances with universities, research organisations, and other state and national agencies and CMAs" and that nearly half of its funding comes from non-government partners.⁶ With respect to innovation, the report states that the Department has worked with industry and community bodies to identify areas for improvement, attracted significant non-government investment, and developed several effective approaches.⁷ On evaluation, the report states:

DPI has conducted a range of evaluations which demonstrate improvements in water use efficiency across a number of agricultural industries. In some cases it is also

⁴ As above, pp. 29 – 32.

⁵ As above, pp. 3, 4 and 32.

⁶ As above, pp. 3 and 16.

⁷ As above, p. 20.

possible to identify improvements in the environment which have followed improved water use practices in irrigation.⁸

- 1.12 The Department indicated to the Committee that it was implementing recommendations 1 and 2 regarding working closely with other agencies and stakeholders. The Department informed the Committee that it retains membership of the Natural Resources and Environment CEO Cluster, works closely with other agencies on the Hawkesbury Nepean and Murray Darling reforms, is heavily involved with key non-government research organisations including the Cooperative Research Centre for Irrigation Futures, and maintains a significant farm network to ensure opportunities for new technologies and practices are identified.⁹
- 1.13 The Department also informed the Committee that it had improved the transparency of its R&D selection process by implementing a Project Approval Process and establishing project management software called Clarity that improves its capacity to make strategic decisions.¹⁰ The Department is waiting for further funding before more broadly implementing Clarity.¹¹
- 1.14 The Auditor-General recommended that the Department negotiate with Treasury to secure the resources it requires to meet State Plan commitments after he observed that the Department's Results and Services Plan for 2007-08 failed to make linkages to its contribution to promoting a secure and sustainable water supply.¹²
- 1.15 In its initial response to the performance audit report, the Department said that it would continue to "demonstrate the benefit of its activities" to Treasury in its Results and Services Plan, and that it would review best practice models for encouraging growers to improve their irrigation practices.¹³ The Department informed the Committee that it has worked closely with Treasury and other agencies to secure funding for the Murray Darling and Hawkesbury Nepean water projects, and that it is reviewing best practice adoption models with Victoria, Queensland and South Australia.¹⁴

⁸ As above, p. 29.

⁹ Department of Primary Industries, Submission on Inquiry into Improving Efficiency of Irrigation Water Use on Farms, 9 February 2009, pp. 2 – 3.

¹⁰ As above, pp. 3 and 4.

¹¹ As above, p. 4.

¹² Auditor-General, *Improving Efficiency of Irrigation Water Use on Farms*, p. 34.

¹³ As above, p. 8.

¹⁴ Department of Primary Industries, Submission on Inquiry into Improving Efficiency of Irrigation Water Use on Farms, pp. 4 and 5.

Chapter Two – Police Rostering

INTRODUCTION

- 2.1 Police rostering practices potentially impact upon every one of us. As the Auditor-General's report points out, "[g]etting rosters right can benefit the community, victims, the Police Force and officers by using the resources as safely as possible in an effective and efficient way."¹⁵
- 2.2 In 1995, the NSW Police Force discarded eight-hour rosters in favour of flexible rosters.¹⁶ A flexible roster "varies shift patterns and lengths to optimise policing, efficient resource use, and the welfare, health and safety of officers", with shift lengths varying from 6 to 12 hours and a range of starting and finishing times.¹⁷
- 2.3 To determine whether police rostering was supporting efficient and effective policing, the Auditor-General asked whether rosters were in fact flexible, whether rosters met the needs of the community and victims of crime, and what impacts rosters were having on the health and safety of officers.
- 2.4 Although the Auditor-General found some evidence of flexible rostering, he concluded that police rostering practices were mostly *inflexible*, with officers typically rostered on for four 12-hour shifts in a row, followed by four days off. As a result, the amount of officers rostered on at any one time was not consistent with demand, which was five times higher on Friday and Saturday nights than it was early on weekday mornings. While the Auditor-General was unable to determine the precise impact of rostering practices upon officers as the information was not available, he noted that police officers in NSW worked the highest number of 12-hour shifts, and took over 50 per cent more sick and injury leave than the national average. Significantly, 12-hour shifts on their own do not jeopardise the wellbeing of officers, but rather multiple 12-hour shifts without an adequate recuperation period.
- 2.5 The Auditor-General made six recommendations concerning the need for the Police Force to comply with roster requirements limiting the amount of 12-hour shifts worked in a row, review those requirements, adopt and implement rosters based on best practice principles, support commands as they adopt such rosters, and better manage fatigue.
- 2.6 Upon reviewing the submissions of the NSW Police Force and the Auditor-General, the Committee decided not to proceed to a hearing as the Police Force had accepted all six recommendations and had taken substantial steps towards their implementation. Nevertheless, it is clear that the Police Force will not be able to implement best practice rosters across NSW by July 2009 in accordance with recommendation 6 of the Auditor-General's report, and thus the Committee has taken this opportunity to reiterate its support for that recommendation.

¹⁵ Auditor-General, *Auditor-General's Report: Performance Audit: Police Rostering*, Audit Office of NSW, NSW, December 2007, foreword.

¹⁶ As above, p. 15.

¹⁷ As above.

- 2.7 On the basis of its discussions during the course of this inquiry, the Committee has decided to conduct an inquiry into police customer service and officer health and safety. This inquiry will commence within the next 12 months.

THE PERFORMANCE AUDIT

Audit Objectives

- 2.8 The audit sought to assess whether police rostering practices support efficient and effective policing by asking:
- whether rosters provide for the flexible deployment of staff,
 - whether rosters meet the needs of the community and crime victims, and
 - what impact the rosters have had on officers.¹⁸

Audit Conclusions

- 2.9 The Auditor-General found that rostering practices were most often inflexible, with general duties officers typically rostered on at the same starting time (6am or 6pm) for 12-hour shifts over four consecutive days (including two day shifts and two night shifts), followed by four days off.¹⁹ This resulted in:
- a similar number of officers being rostered on regardless of demand; and
 - frustration among victims waiting for an officer to return to day duty to investigate and inform them about their case.²⁰
- 2.10 Inflexible rostering practices are particularly alarming given that, at the commands visited by the Audit Office, demand was five times higher on Friday and Saturday nights than it was in the early hours of Monday to Friday.²¹ Furthermore, Police Force data indicates that demand is "largely predictable and consistent across commands."²² That said, the Audit Office also found evidence of good practice, with Brisbane Water, for example, staggering the start of night shifts so that more officers were rostered on in the afternoons and evenings, using eight-hour afternoon shifts from Sunday to Wednesday to avoid overstaffing in the early morning, and rostering fewer officers on Monday nights and more on Friday and Saturday nights.²³
- 2.11 Although the Police Force monitors response times, and although response times were worse when demand peaked and shifts changed over, none of the commands visited by the Audit Office considered response times when reviewing rosters.²⁴ In addition, the Audit Office found that the average period between day shifts (excluding leave) was over seven days and that, in some instances, this period was up to 20 days.²⁵ As day shifts are more advantageous than night shifts when it comes to

¹⁸ As above, p. 16.

¹⁹ As above, p. 17.

²⁰ As above, pp. 2 – 3.

²¹ As above, p. 17.

²² As above.

²³ As above, p. 18.

²⁴ As above, pp. 25 – 26.

²⁵ As above, p. 28

Police Rostering

investigating cases, the Auditor-General found that the 12-hour block rostering system limited the “effective time” of officers to follow up cases and victims.²⁶

- 2.12 At the commands visited by the Audit Office, the Police Force’s case management system was not always followed which meant that investigations were delayed, and victims and witnesses would have to wait until a particular officer returned. Police officers are meant to record incidents in the COPS database before finishing their shift, contact victims within seven days of a crime being reported, and review cases every 28 days. The Audit Office found that officers did not always enter incidents in COPS before leaving for the day or review open cases within 28 days. At one command, 22 per cent of open cases had not been reviewed within the required period. Complaint data is consistent with these findings, with a quarter of all complaints to police being about customer service, including that it was difficult to get in touch with the officer in charge of their case and that officers did not return their calls.²⁷
- 2.13 The Auditor-General could not assess the impact of rostering practices on officers as the information was not available. However, he noted that, in 2005-06, NSWPF officers took over 50 per cent more sick and injury leave than the national average, and that Australia’s other police forces do not roster officers on for 12-hour shifts as often as NSW does.²⁸
- 2.14 Importantly, the Auditor-General emphasised that “[12]-hour shifts are not inherently bad... it is the practice of block rostering that seems to be the main problem.”²⁹ While Police Force parameters stipulate that only three 12-hour shifts can be undertaken in a week, the Audit Office found that officers commonly undertake four 12-hour shifts in four days and that some officers undertook up to six 12-hour shifts in a week.³⁰ Furthermore, the Police Force did not have a fatigue management policy in place, and a number of officers had secondary employment (the official figure is 10 per cent), including an officer who had been given permission to work 30 hours a week in the mining industry.³¹
- 2.15 According to the report, police officers are generally in favour of 12-hour block rostering because it gives them time off to recover from the stress of their job and allows them to engage in secondary employment.³² A related argument is that 12-hour block rosters help to attract and retain general duties officers.³³ In response, the Auditor-General noted that the fact that officers like the block rostering system in no way diminishes the Police Force’s responsibility to address the risks associated with shift work and the fatigue it can cause. Moreover, it may result in additional risks associated with those who fail to adequately recover because they are undertaking their second job rather than resting.³⁴ The Auditor-General also observed that,

²⁶ As above, p. 27.

²⁷ As above, p. 28.

²⁸ As above, p. 38.

²⁹ As above, p. 3.

³⁰ As above, p. 33.

³¹ As above, pp. 35 and 36

³² As above, pp. 33 and 35.

³³ As above, p. 37.

³⁴ As above, pp. 33 and 35.

despite having such generous free time arrangements, the attrition rate for police officers in NSW was higher than the national average.³⁵

Audit Recommendations

2.16 The Auditor-General made the following recommendations concerning the need to comply with current roster parameters regarding the number of 12-hour shifts officers can work in a row, review current requirements, adopt and implement best roster practices, better manage fatigue, and help commands improve rosters:

| | |
|---|--|
| ACHIEVE COMPLIANCE WITH CURRENT REQUIREMENTS | |
| 1 | Ensure commands comply with the current roster parameters regarding the number of 12-hour shifts that officers can work (page 35). |
| REVIEW CURRENT REQUIREMENTS | |
| 2 | Review the rostering parameters and, by July 2008, develop best practice principles that are consistent with contemporary practices for managing the risks to the health and welfare of officers arising from shiftwork (pages 22 and 35). |
| INCORPORATE BEST ROSTER PRACTICES | |
| 3 | Require commands, as part of the best practice roster principles, to: <ul style="list-style-type: none"> • review patterns of response times, use different shift lengths and stagger start times to better meet the demand for police (pages 26 and 27) • provide officers sufficient opportunity to follow-up investigations, witnesses and victims at customer-friendly times (page 29) • review the roster's ability to support the needs of the community and victims by monitoring such indicators as complaints, community satisfaction and the timeliness of case follow-up (page 29) • monitor the effect of rosters on such organisational indicators as retention, injury and sick leave, overtime, shift penalties and annual leave (page 40). |
| BETTER MANAGE FATIGUE | |
| 4 | By July 2008, introduce a fatigue management policy that meets best practice principles and includes: <ul style="list-style-type: none"> • training for commanders and officers in how to identify and manage fatigue (page 37) • a minimum amount of rest taken before resuming duty (page 37). |
| HELP COMMANDS TO IMPROVE ROSTERS | |
| 5 | By July 2008: <ul style="list-style-type: none"> • provide commands with a methodology to assess local rosters against best practice principles and identify gaps (page 22) • support commands in their negotiations with officers to change rosters to meet best practice principles (page 22). |
| IMPLEMENTATION | |
| 6 | By July 2009, the NSWPF have rosters in place that are consistent with best practice principles (page 22). |

³⁵ As above, p. 37.

THE COMMITTEE'S EXAMINATION

- 2.17 The Committee commends the NSW Police Force for accepting all of the Auditor-General's recommendations and for providing the Committee with information about the various guidelines, toolkits, projects, etc. that are being implemented in accordance with the findings of the audit. Among the new initiatives are:
- the Intelligence Based Rostering System, which provides warnings of problematic rostering practices;
 - the Fatigue Project, which includes Draft Fatigue Guidelines and Toolkits to identify and manage fatigue;
 - the HR Review Tool, which promotes sustainable HR practices through the monitoring of leave patterns
 - the Command Management Framework, which addresses flexible rostering practices and OH&S requirements; and
 - the Customer Service Policy, Charter and Guidelines.³⁶
- 2.18 The Auditor-General's submission highlighted two issues in response to the NSW Police Force's submission, the first being that the Police Force had not provided evidence of how it was supporting commands in their negotiations with police officers while changing rostering practices, and the second being that the Police Force would not meet the July 2009 deadline for implementing best practice rosters based on the progress indicated.³⁷
- 2.19 The Committee asked the Police Commissioner to provide additional documents and information to the Committee so that it could obtain a more in-depth understanding of police action on rostering. The Committee wanted to know, for example, how comprehensive the Draft Fatigue Guidelines were and whether they fully addressed the Auditor-General's concerns. The Committee also wanted information on the support provided to commands in their roster negotiations with officers. Upon reviewing the additional documents and information supplied by the Commissioner, the Committee is satisfied that, with one exception, the Police Force has complied with all of the Auditor-General's recommendations.³⁸
- 2.20 The Committee remains concerned about the need to implement best practice rosters throughout NSW in accordance with recommendation 6 of the Auditor-General's report. Despite the positive action taken by the Police Force in response to the performance audit of police rostering, the Committee also remains concerned about the broader issues associated with police customer service and officer health and safety.

Best Practice Rosters

- 2.21 In its submission dated February 2009, the Police Force noted that it was about to commence a pilot in the Sutherland Local Area Command involving a fatigue management tool that would include roster standard operating procedures based on best practice principles. This means that the Police Force will not be able to meet the July 2009 deadline for implementing best practice rosters throughout NSW.

³⁶ NSW Police Force, Submission on the Inquiry into Police Rostering, No. 1, 13 February 2009, pp. 1 – 4.

³⁷ Auditor-General, Submission on the Inquiry into Police Rostering, February 2009, p. 3.

³⁸ See: NSW Police Force, Submission on the Inquiry into Police Rostering, No. 1A, 22 April 2009.

- 2.22 The Committee welcomes the commencement of the pilot to identify how police rosters may better operate in NSW and encourages the Police Force to implement the lessons learnt as soon as possible.

Recommendation 1

The Committee recommends that the NSW Police Force implement best practice rosters throughout NSW by January 2010.

Customer Service and Officer Health and Safety

- 2.23 The Auditor-General's report raised significant issues regarding the quality of service officers are able to deliver and the wellbeing of officers. Given the significant work the Police Force has undertaken to improve the impact of rostering on customer service and police officer welfare, the Committee considers that there will be benefit in revisiting these issues after these changes have had time to take effect.
- 2.24 In addition, some of the issues raised in the audit relate to problems outside the scope of police rostering practices. Regardless of the roster system in place, for example, victims of crime should, in ordinary circumstances, be able to receive assistance from any officer on duty rather than having to wait for the officer they initially dealt with to return to work.
- 2.25 Consequently, the Committee intends to initiate an inquiry into police customer service and the health and safety of officers within 12 months.

Chapter Three – Managing Departmental Amalgamations

INTRODUCTION

- 3.1 The risks and rewards of departmental amalgamations are great. If managed well, they can improve services and reduce costs. If managed poorly, they can create uncertainty for the organisation, staff and customers.³⁹
- 3.2 To determine whether departmental amalgamations in NSW are being managed to achieve their intended outcomes and benefits, the Auditor-General conducted an international literature review and examined the amalgamations that led to the Department of Primary Industries and the Department of Commerce. More specifically, the Auditor-General asked whether the amalgamations were well planned, implemented according to plan, and evaluated to determine if their objectives were achieved.⁴⁰
- 3.3 The Auditor-General concluded that the amalgamation that created the Department of Primary Industries was better managed than the amalgamation that created the Department of Commerce, although they both generated significant savings over their first four years. Among the reasons for the Department of Primary Industries' relative success were early planning, quick and strategic action, similarities among its composite agencies, and a better, though not great, evaluation process. On the basis of his findings, the Auditor-General put forward three recommendations concerning the need to improve the planning, implementation and evaluation stages of amalgamations in NSW.
- 3.4 While the Department of Premier and Cabinet accepted the first two recommendations, it did not support the Auditor-General's call for the publication of evaluation results in annual reports for three years following amalgamations. The Committee shares the Auditor-General's concern that the results of future amalgamation reviews will not be made available to the public, and it strongly urges the Department to ensure that formal evaluations of amalgamations are routinely carried out and that the results be tabled in Parliament. The Committee endorses the view of the Auditor-General, which is that "accountability and transparency are enhanced when amalgamation outcomes and benefits are reported to Parliament."⁴¹

THE PERFORMANCE AUDIT

Audit Objectives

- 3.5 The aim of the audit was to determine whether amalgamations in NSW are being managed to achieve their intended outcomes and benefits. To achieve this aim, the

³⁹ Auditor-General, *Auditor-General's Report: Performance Audit: Managing Departmental Amalgamations*, Audit Office of NSW, NSW, p. 2.

⁴⁰ As above.

⁴¹ Auditor-General, Submission on Inquiry into Managing Departmental Amalgamations, 27 March 2009, p. 1.

Auditor-General examined whether the amalgamations that led to the Departments of Primary Industries and Commerce were well planned, implemented according to plan, and evaluated to determine if their outcomes and benefits were achieved.⁴²

Audit Conclusions

- 3.6 To determine how departments ought to be amalgamated, the Auditor-General undertook an international literature review. He found that effective preparation, including early planning by departments, identification of objectives and prompt action, and similarities among the services and clients of the agencies to be amalgamated, were the most significant determinants of success.⁴³ On the basis of his findings, the Auditor-General developed a checklist to assist in the planning of amalgamations, and a Better Practice Guide to support public servants in their endeavour to successfully amalgamate agencies.⁴⁴
- 3.7 With respect to the creation of the Department of Primary Industries, the Auditor-General identified ample evidence of good planning, including:
- three months notice of the amalgamation;
 - the early appointment of senior staff;
 - the development of an implementation plan;
 - similar cultures, clients and services among the agencies to be amalgamated;
 - the three clearly identified objectives of saving money, strengthening the voice of rural NSW, and providing better service;
 - a structured approach to achieving the first goal, and activities and plans designed to achieve the second and third goals; and
 - a culture change program called Building DPI that was undertaken by 95 per cent of staff.⁴⁵
- 3.8 With respect to the creation of the Department of Commerce, the Auditor-General found:
- no advance notice of the intention to amalgamate;
 - few similarities between the agencies that were to be amalgamated and a subsequent lack of cohesion among staff and divisions;
 - a series of short-term implementation plans with little connection between them; and
 - a lack of clearly defined objectives early on, although objectives designed to achieve budget savings were developed over time.⁴⁶
- 3.9 On a more positive note, the Auditor-General found that responsibility was assigned from the outset.⁴⁷

⁴² Auditor-General, *Managing Departmental Amalgamations*, p. 2.

⁴³ As above, pp. 2, 10 – 17.

⁴⁴ As above, pp. 14 and 18.

⁴⁵ As above, pp. 20 – 22.

⁴⁶ As above, pp. 28 – 30.

⁴⁷ As above, p. 31.

- 3.10 On implementation, the Auditor-General observed that the Department of Primary Industries' "amalgamation plans were followed and corrected over time" and he identified the Director General's ministerial briefing entitled *Progress report on the first 100 days of DPI* as a good practice.⁴⁸ The Department of Commerce was also found to have followed and corrected its plans.⁴⁹
- 3.11 The amalgamation that led to the Department of Primary Industries was never formally evaluated, however, the Auditor-General found that various assessments had been made since the Department's inception.⁵⁰ While not all of the savings generated since the amalgamation could be attributed to the amalgamation (as opposed to rectifying inefficiencies within a particular division, for example), the Department saved \$190 million over its first four years.⁵¹ Of the amalgamation's second and third goals, the Auditor-General said that it was too early to assess whether rural NSW had been given a stronger voice or customer service had improved, although the Department was "measuring, monitoring and reporting on activities aimed at achieving these outcomes."⁵²
- 3.12 With respect to the Department of Commerce, the Auditor-General concluded that the Department had saved around \$150 million over four years but that, like the Department of Primary Industries, much of this was a result of operational improvements within one of the former agencies and could have been achieved without the amalgamation.⁵³ The Auditor-General also noted that no formal evaluation had been conducted, there was limited evidence of informal evaluations, and other expected benefits of amalgamation, such as lower cost customer service, had not occurred.⁵⁴

Audit Recommendations

- 3.13 The Auditor-General made three recommendations concerning the need to better plan, implement and evaluate departmental amalgamations. These were that agencies:

| | |
|---|---|
| 1 | Promote the <i>Checklist</i> (Appendix 2) to assist officers during the consultative steering group phase where details of the government's amalgamation decision are clarified to prepare for department's management of the Amalgamation (page 14). |
| 2 | Promote use of the <i>Better Practice Guide - Achieving Successful Amalgamations</i> by officers responsible for implementing amalgamations (page 18). |
| 3 | Promote review of achievement of anticipated amalgamation outcomes and benefits. Results to be included in the annual reports of the departments for the three years following amalgamation. It should also be followed for restructures which add activities to departments (page 14). |

⁴⁸ As above, p. 23.

⁴⁹ As above, pp. 31 – 32.

⁵⁰ As above, p. 24.

⁵¹ As above, pp. 2 and 24.

⁵² As above, p. 25.

⁵³ As above, p. 33.

⁵⁴ As above, pp. 2 and 32.

THE COMMITTEE'S EXAMINATION

- 3.14 The Auditor-General's first two recommendations asked that agencies use the checklist and Better Practice Guide when undertaking amalgamations to ensure that amalgamations were managed to achieve outcomes and benefits. The checklist contains a list of questions that encourage the officers responsible for steering an amalgamation to articulate, among other things, the purpose of the amalgamation, the costs of amalgamation, and the similarities among the agencies being amalgamated. The Better Practice Guide contains a more detailed list of questions concerning the need to act early, develop a formal amalgamation plan, have an effective implementation strategy, and assess results against objectives and targets.
- 3.15 In its submission to the Committee, the Department of Premier and Cabinet stated that "the Government is supportive of the Better Practice Guide [including the checklist] produced with the report as this provides a planning framework for agencies undergoing amalgamations."⁵⁵
- 3.16 However, the Department was not supportive of the Auditor-General's suggestion that the results of amalgamation reviews be reported in departments' annual reports for three years following an amalgamation.

Formal evaluations and their publication

- 3.17 In relation to reporting amalgamation outcomes in annual reports, the Department of Premier and Cabinet stated:
- the Government prefers that results... be incorporated within existing performance management systems of new entities [such as State Plan reports, Results and Services Plans and management reporting]... rather than establishing an additional reporting regime.⁵⁶
- 3.18 The Auditor-General responded by saying that "accountability and transparency are enhanced when amalgamation outcomes and benefits are reported to Parliament."⁵⁷
- 3.19 The Committee notes the Department's preference for using existing performance management systems rather than additional reporting regimes. However, the difference between reporting in an annual report and management reporting is not that it is additional to existing reporting but that the former must be laid before Parliament and thereby made public. Further, the Committee has been offered no compelling reason why accountability for the outcomes of departmental amalgamations should not be disclosed to the public. At the same time, the public has a clear interest in knowing whether the cost and disruptions of departmental amalgamations are resulting in enduring benefits.
- 3.20 The Committee therefore considers that the results from departmental amalgamations should be laid before Parliament, whether as part of the agency's annual report or by some other means.

⁵⁵ Department of Premier and Cabinet, Submission on Inquiry into Managing Departmental Amalgamations, 10 March 2009, p. 1.

⁵⁶ As above, p. 1.

⁵⁷ Auditor-General, Submission on Inquiry into Managing Departmental Amalgamations, p. 1.

Recommendation 2

The Committee recommends that formal evaluations of departmental amalgamations be routinely carried out and that the results of the evaluations be tabled in Parliament.

Appendix A. Submissions

IMPROVING EFFICIENCY OF IRRIGATION WATER USE ON FARMS

Submissions:

1. Department of Primary Industries – 6 February 2009
2. The Audit Office of NSW – 26 February 2009

POLICE ROSTERING

Submissions:

1. NSW Police Force – 13 February 2009
- 1a. NSW Police Force – 22 April 2009
2. The Audit Office of NSW – 26 February 2009

MANAGING DEPARTMENTAL AMALGAMATIONS

Submissions:

1. Department of Premier and Cabinet – 11 March 2009
2. The Audit Office of NSW – 27 March 2009