

# Chapter 1

## New Public Management Reforms and Modernization Changes in Australia

**Tarek Rana**  
La Trobe University, Australia

### ABSTRACT

*This chapter explores and explains recent modernisation changes in the Australian Public Sector and provides insights on implications of new public management style reform for public sector accounting, auditing and accountability systems and practices. By adopting a narrative analysis approach, this chapter reconnoitres the change by dissecting the public-sector governance, performance and accountability reform and identifies significant modernisation changes in public sector management which has switched focus from a “rules-based” to “principles-based” accountability framework. Moreover, this chapter highlights the changes, challenges and opportunities that arises with the implementation of the new framework which can be seen as an innovative determination of modernisation. The modernisation change in Australia has produced new ideas of good governance and requirements for meaningful accountability systems and practices by mobilising various accountability mechanisms such as accountable authority, corporate plan, program evaluation, performance measurement, and risk management.*

### INTRODUCTION

Public sector management is important and significant for any government across the globe. While considerable resources have been devoted to the development and implementation of public sector reforms the existing approaches have fallen short in delivering meaningful and understandable accountability framework (Bovens, 2005; O’Flynn, 2007; Osborne, 2010; Barrett, 2014a, 2014b). Despite the several decades of modernisation reforms in Australia over many years, there is no evidence that the perceived nature of accountability has actually changed (Broadbent and Laughlin, 2005; Egan, 2009). This chapter seeks to address the modernisation change in accountability regime by exploring how Australian Public Sector (APS) has begun to minimise the missing link and started developing an innovative framework for public sector management.

DOI: 10.4018/978-1-5225-3731-1.ch001

A growing body of work has investigated the role of financial and administrative reforms through the new public management (NPM) ideas and their implications for public sector accounting, auditing and accountability (Parker and Guthrie, 1993; Guthrie, 1998; Jacobs, 1998; Guthrie and Parker, 1999; Lapsley, 1999; Hoque and Moll, 2001; Funnell, 2003; Lapsley et al., 2009; Ezzamel et al., 2014; Hyndman et al., 2014; Kartalis et al., 2016). Numerous scholars have argued that it is epitome that public sector embrace the idea of modernising accountability ethos for successful design, implementation, delivery, and evaluation of government programs and interventions rather than rationalising modernity (Pallot, 1992; Lapsley, 1999; Parker and Gould, 1999; Hoque and Moll, 2001; Barrett, 2014a, 2014b). Moreover, Guthrie (1993) and English and Guthrie (2001) argue that central to most of these public sector reforms should have been the idea of improving accountability.

The concept of modernisation of public service is central to the idea of new public management (NPM) and largely evident in the research focusing on public sector accounting, auditing and accountability (Hoque, 2008). However, the significant growth of NPM ideas has increased economy, efficiency and effectiveness demands (Guthrie, 1993; Lapsley, 1999). Power (2003, 2007) and Hood (1991, 1995, 2010) illustrated this trend in the financial accounting, performance auditing, feedback, and evaluation activities due to the prominence of accounting based modernisation efforts through NPM reforms in the public sector. The growth in this type of modernisation efforts has made managerialism, economic rationalism, and financial management major vehicles for practicing accountability (Broadbent and Guthrie, 1992, 2008; English et al., 2005). This view of accountability is narrow which treats public sector as a simple system or structure and values financial accounting and reporting in isolation. Consequently, the input/output focus on public sector performance created conditions for a reductionist accountability framework by strengthening a compliance-oriented managerial focus to meet public interest requirements.

Accountability relationships are not just transactional but are rooted in the public sector social, institutional and political context (Guthrie, 1998; Broadbent et al, 1999; Guthrie and Parker, 1999; Barton, 2006; Broadbent and Laughlin, 2013). Funnell et al. (2012) sees accountability as a defining characteristic of democratic institutions and therefore of the public sector context. However, the public-sector context has gone through significant changes, driven by market-based notions of 'performance' (Parker and Guthrie, 1993; Broadbent and Guthrie, 2008; Funnell et al., 2012) which have major implications for the accountability. However, Broadbent et al. (1999) argue that because of the complexity and diversity of public sector contexts, meaningful performance management requires multiple forms of accountability and a narrow focus on financial efficiency has the potential to restrict broader accountability and public interest concerns. The question that remains is how these reforms and modernising change to public sector management impact accountability.

For the context of this chapter, the author uses Australia as an example. Challenged by the difficult global economic conditions, domestic budget imbalances, and growing demand for innovation, the Australian Public Sector (APS) is progressing through a wave of reforms. The central focus of this chapter is on the public-sector governance, performance and accountability (PGPA<sup>1</sup>) act brought in by the current wave of reforms in Australia (Barrett, 2014a; 2014b). In many respects, Australia is seen as one of the change leaders and modernizers of public sector management globally. Therefore, the modernization efforts in Australia will be of interest to other Western countries, particularly the Europe, UK, Canada, and New Zealand and, to a degree, the USA.

The purposes of this chapter are twofold. First, it examines the recent reforms which were developed to modernise financial and other resource management in the Australian public sector (APS) at the Commonwealth level. Second, it assesses how these reforms create conditions for innovation in

15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

[www.igi-global.com/chapter/new-public-management-reforms-and-modernization-changes-in-australia/199455](http://www.igi-global.com/chapter/new-public-management-reforms-and-modernization-changes-in-australia/199455)

## Related Content

---

### How Blockchain Technology Changes Government: A Systematic Analysis of Applications

Charalampos Alexopoulos, Yannis Charalabidis, Michalis Avgerinos Loutsaris and Zoi Lachana (2021). *International Journal of Public Administration in the Digital Age* (pp. 1-20).

[www.irma-international.org/article/how-blockchain-technology-changes-government/284567](http://www.irma-international.org/article/how-blockchain-technology-changes-government/284567)

### Cloud Computing and Gov 2.0: Traditionalism or Transformation across the Canadian Public Sector?

Jeffrey Roy (2014). *International Journal of Public Administration in the Digital Age* (pp. 74-90).

[www.irma-international.org/article/cloud-computing-and-gov-20/106545](http://www.irma-international.org/article/cloud-computing-and-gov-20/106545)

### Knowledge Management Dynamics and Public Sector Organization Development

Neeta Baporikar (2019). *Handbook of Research on Implementing Knowledge Management Strategy in the Public Sector* (pp. 55-71).

[www.irma-international.org/chapter/knowledge-management-dynamics-and-public-sector-organization-development/233048](http://www.irma-international.org/chapter/knowledge-management-dynamics-and-public-sector-organization-development/233048)

### Globalization and Transformation of Care in Japan

Reiko Ogawa (2014). *Contemporary Social Issues in East Asian Societies: Examining the Spectrum of Public and Private Spheres* (pp. 86-105).

[www.irma-international.org/chapter/globalization-and-transformation-of-care-in-japan/97572](http://www.irma-international.org/chapter/globalization-and-transformation-of-care-in-japan/97572)

### Process Alignment, End User Participation for E-Government Programs: Key Stakeholders View

Sameer Goel, Rajeev Dwivedi and A.M. Sherry (2014). *International Journal of Public Administration in the Digital Age* (pp. 65-79).

[www.irma-international.org/article/process-alignment-end-user-participation-for-e-government-programs/112004](http://www.irma-international.org/article/process-alignment-end-user-participation-for-e-government-programs/112004)