



Australian Government

Department of the Environment and Energy

Ms Elizabeth Alexander AM and Mr David Thodey AO
Independent Reviewers of the PGPA Act and Rule
PGPAActReview@finance.gov.au

Dear Ms Alexander and Mr Thodey

Thank you for your letter of 30 May 2018 inviting the Department to comment on the Consultation Draft of the Independent Review of the *Public Governance, Performance and Accountability Act 2013* and Rule. The Department welcomes the report as clear and compelling and supports moves to improve governance, risk management, and performance reporting.

In regard to risk management we welcome the recommendations and as they will assist us in continuing to mature our risk management functions and culture. In turn this will enable entities to apply more sophisticated risk management processes, and allow alignment across and between entities including the greater identification and management of shared risks. Continuing to focus on risk as we increase the use of shared services and explore new ways of doing business such as partnerships will be very important.

In relation to the performance reporting recommendations, this department is currently actively working to mature our practices to improve the quality of our reporting. We support the additional requirements and ask that, consistent with our continuous improvement experience, you consider making commentary around the factors to be considered during implementation. This could extend to mechanisms to support the additional requirements that will ease implementation pressures.

Additional comments against specific recommendations are attached. We look forward to the final report.

Yours sincerely

A solid black rectangular box redacting the signature of Matt Cahill.

Matt Cahill

Deputy Secretary

22 June 2018

ATTACHMENT A

Department of the Environment and Energy

Comments on the Consultation Draft of the Independent Review of the *Public Governance, Performance and Accountability Act 2013* and Rule

Recommendation	Comments
10 - 14	<p>The Department welcomes the recommendations related to managing and engaging with risk. These recommendations will support the maturation of risk management functions and culture across the APS and drive entities towards more sophisticated risk management mechanisms.</p> <p>The Department appointed a Chief Risk Officer since late 2015. This appointment has facilitated the maintenance and further strengthening of the positive risk culture across all levels of the Department. The role has supported the embedding of risk into policy development and program management at a more mature level and engendered strong risk management behaviours in our staff.</p> <p>The Chief Risk Officer engages with key stakeholders and promotes learnings on ways of managing shared risk across the diverse and challenging operating environments we work in.</p> <p>The Portfolio Audit Committee operates effectively and efficiently to provide assurance and assistance on our risk frameworks and management systems. We have experienced the benefit this committee provides in considering governance arrangements from a holistic perspective.</p>
15	<p>Our Portfolio Audit Committee continues to strengthen our governance systems, with the mix of independent members and Departmental officials bringing a broad range of expertise and skills relevant to the diverse operations of the Department. This mix of independent and internal members strengthens our process and outcomes through the addition of context at senior management levels that could not be gained by having officers as advisors only. The mix allows for more robust and fulsome discussion where a direct conduit can add highly specialised contextual knowledge and perspective in areas such as risk or assurance.</p> <p>There is potential for significant un-costed budgetary and administrative impacts of implementing an entirely independent audit committee. Also there are limitations on the pool of eligible and available independent audit committee members in Canberra as outlined in the draft report. Also, this could have an impact on competing for audit resources between departments and agencies.</p> <p>A strong and independent audit committee is supported. If Recommendation 15 proceeds it is suggested the 'If not why not' approach be adopted which is fundamental to the operations of the ASX principles.</p>
16	<p>A senior management member acts as Deputy Chair to our Portfolio Audit Committee. This allows not only for active engagement, but for clear contextualisation of content to the highest level.</p>

Recommendation	Comments
	<p>As noted in our response to Recommendation 15, the mix of independent members and Departmental officials brings a broad range of expertise and skills and this allows for robust and fulsome discussion at each committee meeting.</p> <p>The reviewers are asked to consider how, if implemented, Recommendation 15 potentially reduces management engagement with audit committees.</p>
20	<p>Our Portfolio Audit Committee incorporates both corporate and non-corporate agencies in one committee to provide independent assurance to the Secretary of the Department, the Director of National Parks, and the Board of the Sydney Harbour Federation Trust. This arrangement provides for shared learnings and efficiencies to the benefit of these agencies.</p>
32 - 33	<p>While supporting the use of section 34 of the PGPA Act as a mechanism for setting priorities and cooperating across entities, there are currently fundamental challenges to implementation if mandated. To truly enable cross entity collaboration, further work will need to be done to create supportive cross-governmental frameworks and systems. This includes ensuring there are mechanisms for facilitating the use of partnerships and alternate models of service delivery outside of specifically exercising section 34 of the Act.</p> <p>To exercise section 34 effectively there is a need to not only build a system to identify and agree on cross-Commonwealth priorities but also to create robust performance measures that are supported by identified data sources. The maturity of entities' implementation of the existing performance reporting requirements is highly variable and adding additional requirements at this time may impact on work underway to improve implementation of current requirements.</p> <p>As noted in the Department's previous submission, for true collaboration to occur reporting and accountability between entities must be clear and there must be adequate assurances to the accountable authority where there are shared risks.</p>