

Comments on the Consultation Draft Report of the Independent Review of the *PGPA Act 2013* and Rule

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I welcome the draft report and support its general thrust to improve performance management and reporting, and I also support most of its recommendations.

My comments focus on those recommendations I consider particularly important and those I believe need reconsideration; the comments also identify matters that have not received the attention I believe they deserve. The comments follow the framework used in the draft report.

Driving change through leadership

While the Secretaries Board and portfolio secretaries should play the role outlined in Recommendation 1, more acknowledgement should be given to the role of ministers, their staff and the Parliament in facilitating and promoting accountability for performance and the other objectives of the Act including risk management. APS leaders have clear obligations under this Act, and under the Public Service Act, and should be 'frank and fearless' in meeting them, but they are also subject to lawful direction by ministers and are influenced by the political climate within which they operate.

Performance framework

The political climate is also particularly important with regard to **Recommendation 3** on evaluation. This is a key recommendation strongly advocated in the submission I made jointly with Professor John Wanna and supported by other independent stakeholders. The use of evaluation has declined over the last 20 years largely, I believe, because of political factors, not opposition from APS leaders. In the early 1990s, Cabinet required ministers to include for any new policy proposal evidence from past evaluations and plans for future evaluation should the proposal be accepted. All programs were required to be subject to evaluation over some reasonable time period. Such political endorsement ensured evaluation was taken seriously. There were still political attempts to constrain the independence of some evaluations, but such attempts can be addressed at least in part by the role of the Parliament (and APS leadership can also test ministerial – and political advisers' – pressures).

Managing and engaging with risk

Again, **Recommendations 10 and 11** should acknowledge the political climate within which accountable authorities operate. As a rule, it is ministers who need to identify their risk appetite, and to articulate that clearly: that is easier said than done. Recommendation 11 rightly refers to the Parliament's role which might be made easier if ministers' risk appetite at the time decisions were taken was articulated and the benefit of hindsight made more obvious.

I am not convinced of the merits of a Chief Risk Officer (**Recommendation 12**). If the Independent Review is to suggest consideration of any specific new position, I would suggest a Chief Evaluation Officer (or Chief Economist as is sometimes used in the UK). **Recommendations 13 and 14** about possible Risk Committees and Audit Committees seem to me to provide more useful support of good risk management, though I would be inclined to have 'audit and risk committees', and not separate

(independent) risk committees. The entity must accept responsibility for managing and engaging with risk, with the audit and risk committee pressing them to do so and to do so well; there is a danger with a separate risk committee that the agency will rely on it to do the managing and engaging.

Audit committees

The recommendations do not adequately address the basic role of audit committees. One of the shifts that effective committees have pursued over the last 20 years has been from an exclusive focus on reviewing (auditing) past actions and reporting, to more pro-active and forward-looking examinations of new initiatives and the impact of a changing environment. This requires the committee to work with the entity's management team as it identifies and manages risks associated with particular measures or events. I believe this warrants an additional recommendation.

The need to work closely with management makes me uneasy about **Recommendation 15**. The independence of committees has been steadily strengthened over the last 20 years, but I am not sure all committee members should be independent. That could lead to the committee lacking sufficient understanding of the entity's operations and environment, and the danger of the entity effectively side-lining the committee. At the very least, the agency head (or equivalent) should have as an ex officio member someone from the agency's executive and the CFO. The committee chair should also meet regularly, one-on-one, with the agency head.

Clarifying reporting arrangements and reducing the reporting burden

Recommendation 26 reflects the suggestions Professor Wanna and I made in our submission, but not as clearly as we had proposed. The corporate plan is about *how*, as set out in the recommendation, to contrast with the PBS which is about *what*. The PBS is owned by the minister and is presented to the Parliament when it is considering budget allocations, to show what is expected from the resources the Parliament is being asked to approve. The corporate plan is the responsibility of the accountable authority, not politicians, reflecting their administrative responsibilities. Moreover, we suggested this clarification would also highlight the role of the corporate plans in addressing organisational capability to perform, not just to meet the requirements in the current PBS but also to position the organisation for possible future challenges (reflecting the Public Service Act requirement of secretaries to be responsible for 'stewardship').

I am a little uneasy about **Recommendation 25**. There is a risk that corporate plan templates issued by Finance lead to bureaucratic form-filling rather than serious examinations of changing environments and changing capability requirements. Corporate plans are as much about the process as about the final document, if they are to be the primary planning tool for entities. They will vary greatly across entities given their different functions.

Annual report timing and parliamentary scrutiny

The recommendations are supported. The Review should consider strengthening **Recommendation 31** to suggest that Senate Estimates Committees conduct some hearings dedicated to particular agencies' Annual Reports and the related Performance Reports, and to particular program performance reports and evaluations.

Cross-government cooperation

Recommendation 32 is particularly important.

Reporting of executive remuneration

The recommendations are strongly supported. For APS entities, this may strengthen the case for a more coherent and consistent approach towards executive (and other) remuneration.

Reporting of contracts and consultancies

The recommendations are supported.

Finance support

While the recommendations are supported, the Independent Review should consider mentioning the importance of Finance working with the APSC to promote corporate and financial management training and development amongst the SES, particularly those likely to fill top management roles in the future. The Capability Reviews a few years back identified common weaknesses in HRM and strategic policy advising and management across the APS.

In the submissions we made we also referred to interesting US developments involving the use of employee surveys such as those conducted by the APSC as a diagnostic tool to direct management attention to where organisational health and capability needs particular attention. This is another example of where the APSC might collaborate with Finance in providing support for the entities implementing the PGPA Act.

Technical and other matters

Recommendation 42 is surprisingly limited to corporate entities and companies. In our submission, Professor Wanna and I also referred to the importance of further guidance from Finance (after some engagement with the Parliament) on governance structures for different functions, such as policy advising, funding and purchasing or commissioning services, delivering services, regulation and 'integrity' functions (such as those of the ANAO).

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