



Australian Government

Department of Finance

**Rosemary Huxtable PSM
Secretary**

Mr David Thodey AO and Ms Elizabeth Alexander AM
PGPA Act Review
Department of Finance
One Canberra Avenue
FORREST ACT 2603

Dear Mr Thodey and Ms Alexander

Thank you for your letter of 9 October 2017 seeking observations and input for the Independent Review on the *Public Governance Performance and Accountability Act 2013* (PGPA Act) and *Public Governance Performance and Accountability Rules 2014* (Rules). As you know, the Department of Finance (Finance) has functional responsibility for both the Act and Rules.

As a legal and governance framework, the PGPA Act and Rules have proven to be robust and have achieved a good degree of acceptance. No ‘burning platform’ issues have been identified over the three years since the PGPA Act came into effect. However, there are particular areas of practice that could be attended to, to improve public sector performance. These are outlined in the Finance submission attached.

Finance would welcome the opportunity to discuss our submission should you wish to do so.

Yours sincerely



Rosemary Huxtable
Secretary

10 November 2017

PGPA Act and Rule Independent Review

Submission

Department of Finance

November 2017

Performance Reporting amongst Commonwealth entities

A key objective of the PGPA Act is to ensure timely, transparent and meaningful information to the Parliament and the public, including a clear read across portfolio budget statements, corporate plan, annual performance statements and annual reports. Feedback provided to us to date is that the performance framework is easy to understand and is capable of supporting sophisticated approaches to monitoring and reporting Commonwealth performance. However, a number of entities have reported that developing good quality performance information takes time and effort, and that the task is made easier where there is clear leadership from the entity's accountable authority.

In regards to timeliness, section 46 of the PGPA Act requires Commonwealth entities to prepare and provide their responsible Minister with an annual report for presentation to the Parliament. This must be done by the 15th day of the fourth month after the end of the reporting period (15 October for most entities). Convention holds that the responsible minister should table an entity's annual report in Parliament before Supplementary Budget Estimates hearings. Sometimes this does not occur because of tight timing, especially when Supplementary Budget hearings are scheduled for October or very early November. The Joint Committee of Public Accounts and Audit, on behalf of various Senate committees, has expressed a frustration with the timing of annual reports and has proposed that the date for providing a copy of the annual report to the responsible Minister is brought forward so that annual reports are available for Senate scrutiny. The Auditor-General has given in principle support for bringing forward the annual report process by two weeks.

Audit Committees

The PGPA Rule sets out the minimum functions of audit committees in relation to financial reporting, performance reporting, system of risk oversight and management, and system of internal control for the entity. The PGPA Rule also sets out minimum requirements for membership, with a majority of members to be independent. There is no requirement for the Chair to be independent. Finance is advised that the audit committees for corporate Commonwealth entities, which are largely drawn from amongst independent Board members, do a good job. There are issues, however, around diversity of skills on the audit committees of Canberra based government entities. There is also an opportunity to further enhance the effectiveness of these audit committees by exploring options to improve processes that support them.

Entities engagement with risk

Accountable authorities have a positive duty to establish and maintain a system of risk oversight and management. With the introduction of the PGPA Act, the Minister for Finance issued the Commonwealth Risk Management Policy (Risk Policy), which provides a principles-based framework for all Commonwealth entities on how they should manage risk.

Since the introduction of the Risk Policy entities have made significant progress in implementing the fundamental aspects of an effective risk management framework. The cultural change required to more positively engage with risk is proving more challenging as the engagement with risk varies greatly across the Commonwealth. While the risk conversation appears to be maturing, it is possible that more can be done to increase the engagement with risk in order to encourage appropriate risk-taking and innovation.

The personnel, practice, systems and culture of individual Commonwealth entities have a strong influence on risk approach and outcomes. Again Finance is advised that Corporate Commonwealth entities tend to do better, but this may be because of the risk enterprise brought by Board members.

Cooperation and 'joining-up' with others

The PGPA Act, Rule and related guidance expressly recognise the need for better cooperation between Commonwealth entities, and between the Commonwealth and the private sector, not-for-profit sector and with other stakeholders to achieve public policy objectives and improved outcomes for the community. The PGPA Act and Rule place a positive duty on accountable authorities to cooperate with others to achieve common objectives, where practicable. While the PGPA Act's emphasis on cooperation is a new requirement in the resource management legislation, the Commonwealth has a long history of working cooperatively with other jurisdictions, including the states, territories and local government. However, there is always room for improvement, including by using the legislative tools available in the Act for an accountable authority to promote cooperation between Commonwealth bodies themselves and with outside partners. This could include the balance of PGPA Act obligations that accountable authorities and officials have to their entity, compared with other stakeholders, including Ministers, the Commonwealth, the Parliament and the public. If you wish Finance can arrange discussions with officials involved in setting up shared service centres and grants hubs to give you an insight into how the sharing of resources works in practice.