



PGPA Act Review

Attention: Review Secretary

Department of Finance

1 Canberra Avenue

FORREST ACT 2603

Dear Ms Alexander and Mr Thodey

The Department of the House of Representatives (the department) welcomes the opportunity to contribute to the independent review of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The department is a small non-corporate Commonwealth entity. It is neither part of the Executive arm of Government, nor part of a portfolio, but one of four parliamentary departments supporting the Australian Parliament under the *Parliamentary Service Act 1999*. The department has one outcome that is supported by two programs and is resourced through the Appropriation (Parliamentary Departments) Act. The Speaker of the House has accountability obligations to the Parliament for the department. The Clerk of the House of Representatives is the head of the department.

#### *Scope*

This submission will provide perspectives on:

1. the impact of the new legislative framework on the department as a small entity;
2. accountability and governance in a small entity, and
3. progress towards implementation of the enhanced Commonwealth performance framework.

#### *The new legislative framework*

As the PGPA Act and Rules are principles based, the department's experience is that they are easier to understand and comply with than their predecessors. In theory, a principles based approach should mean less prescriptive processes from the Department of Finance as a risk based approach is adopted. However, the anticipated change of culture appears to be permeating slowly to those public sector agencies with a lower risk profile, such as the department, and consequently benefits may not have been realised to the extent that had been expected. For example, the removal of drawing rights has not had the impact anticipated, as the same amount of reporting and compliance is still required on a monthly basis.

### *Accountability and governance in a small entity*

The objectives of the 'clear-read' principle have been incorporated into the department's accountability and reporting framework, from the Portfolio Budget Statements (PBS) to the corporate plan and finally then to the annual performance statement within one reporting cycle. The coming year will see refinements to the department's data collection in order to streamline completion in the next reporting cycle.

The revised governance arrangements have resulted in clearer linkages between each of the department's accountability documents. However, as a small entity, the department does not have a dedicated corporate governance and compliance function and responsibility for the new work has had to be devolved across the corporate areas of the department. The preparation of corporate plans, annual performance statements along with compulsory risk benchmarking and monitoring, reporting on the management of strategic risk, the need for greater secretariat support for the audit committee, and the preparation and co-ordination of the other elements in the annual report has noticeably increased the governance workload facing the department.

All agencies face the additional governance elements. However, the burden falls more heavily on smaller agencies with fewer staff to respond to the extra work. The department has avoided employing or using specialist practitioners to undertake this work to date, but has been forced to reallocate internal resources to deal with the workload. At this time serious consideration is being given to the need to employ an extra staff member for governance and reporting functions.

The department relies on the guidance material (resource management guides, model accountable authority instructions (AAIs) and other material) produced by the Department of Finance. However, because the department is a parliamentary rather than executive agency and not part of a portfolio, information and communications often seem to be provided as an afterthought or, when received, may only be relevant to executive government departments. The budget process operational rules are one example of this focus.

It is noted that one question being considered is whether there would be benefit in bringing forward and potentially legislating an earlier annual report delivery and tabling date. The production of the annual report is a substantial workload for a small entity. This report cannot be finalised until the completion of the audit of the financial statements. As a non-material entity, one recurrent factor is that the department's annual audit by the Australian National Audit Office (ANAO) is often not finalised until mid to late September. An earlier mandated reporting date would be most likely to disadvantage small agencies awaiting late stage ANAO sign offs, including this department.

### *Implementation of the enhanced Commonwealth performance framework*

Naturally, the department is committed to full implementation of the enhanced Commonwealth performance framework, as described above. The department has held compulsory training for relevant staff, and financial delegations and authorisations have all been reviewed since the commencement of the PGPA Act in order to streamline internal processes. In addition, the model AAIs used for the Clerk's Directions and separate policy and procedure documents have been prepared for internal departmental use.

### *Conclusion*

In conclusion, the department certainly supports the principles underpinning the PGPA Act and Rule. The clear read across the department's PBS, corporate plan, annual performance statements and annual reports has now largely settled and risk management is becoming embedded in the department's decision making. The department is also working closely with its audit committee in adjusting to the PGPA Act environment.

However, the new framework has placed significant additional requirements on the department's small corporate function which cannot provide individual specialist staffing to support the new requirements. The department is a non-material entity with predictable outputs which would benefit from a more nuanced, risk-based compliance regime.

I look forward to the outcomes of the review and, in particular to what refinements might assist small entities in their compliance arrangements.

Yours sincerely



David Elder  
Clerk of the House  
10 November 2017