



CHIEF OF NAVY

R1-4-C001, Russell Offices, CANBERRA ACT 2600

[REDACTED]

Ms Elizabeth Alexander, AM and Mr David Thodey, AO
PGPA Act Review
Department of Finance
1 Canberra Avenue
Forrest ACT 2603

Attention: Review Secretary

Sent by Email: PGPAActReview@finance.gov.au

Dear Ms Alexander and Mr Thodey

Submission to the Independent Review of the Public Governance, Performance and Accountability Act 2013 (PGPA Act)

Thank you for your letter of 9 Oct 17 seeking input into the Independent Review of the PGPA Act. As the Chief of Navy, I am the principal of the Royal Australian Navy Central Canteens Board (RANCCB), which trades as Navy Canteens, under delegation from Chief Defence Force. In responding to the request, I have reviewed the Terms of Reference for the review and provide my response in relation to the following three items:

“Consideration of the impact on small entities, how these entities are managing under the new framework and whether adjustments should be made for smaller entities”

- The need to adhere to the Commonwealth budgeting process and loading of budget data into the Central Budget Management System (CBMS) is not strictly compatible with the Commonwealth operating model of the RANCCB. Budgets must be set by 31 Mar for the following Financial Year and cannot be adjusted once set. This does not allow for adjustments during the year (i.e. mid-year review) once budget assumptions are tested based on performance and achieved revenues. This creates unnecessary difficulty when dealing with forecasting of revenue.
- The requirement to use ComCover and ComCare as the RANCCB’s insurers (P23 of Resource Management Guide # 213) removes the ability to test the market and achieve a best value for money outcome. Noting the not for profit nature of the entity, this does not deliver the best outcome for the broader Navy community as it reduces the funding available for disbursements via grants.

“Whether there would be any Benefit in bringing forward and potentially legislating an earlier annual report delivery and tabling date”

- Advancing the annual report delivery and tabling would create additional pressure on the RANCCB in developing the annual report. This is particularly problematic with respect to the audit activity undertaken to generate the Independent Auditors Report as it takes a number of weeks, which puts this activity on the critical path to complete the annual report.

“Timely and transparent, meaningful information to the Parliament and the public ...”

- Certain information contained in the Annual Report for disclosure of performance against the Corporate Plan may provide commercial advantage to RANCCB’s competitors.

In addition to the above, the requirement to utilise the ANAO for the annual audit process (PGPA Act Sec 43) denies the RANCCB the opportunity to test the market for this activity. The annual audit fee is in the order of \$100k and reduced the operating cash surplus by 32% this financial year whilst contributing 20% to the FY17 loss. Whilst I acknowledge that the audit function is a critical component of the annual cycle, an ability to test the market to achieve the most cost effective outcome would be welcome noting the significant cost this activity represents to the RANCCB.

The above comments highlight the difficulties experienced in operating a commercial enterprise within a government accountability framework. My point of contact on this matter is the RANCCB CFO, Mr Matthew Doogan who can be contacted on [REDACTED] or email [REDACTED]

Yours sincerely

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T.W. BARRETT, AO, CSC
Vice Admiral, RAN
Chief of Navy

13 November 2017