



Black Mountain Science and Innovation Park
Clunies Ross Street Black Mountain ACT 2601
GPO Box 1700 CANBERRA ACT 2601 Australia
T (02) 6276 6633 • ABN 41 687 119 230

16 November 2017

Our Ref: [REDACTED]

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

Dear Ms Alexander and Mr Thodey

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

Thank you for your letter of 9 October 2017 seeking submissions to the Independent Review of the PGPA Act and PGPA Rule. Ms In't Veld has referred your letter to me to respond on behalf of the CSIRO.

CSIRO has not identified any significant concerns with respect to the operation of the PGPA Act and PGPA Rule. CSIRO's submission is attached.

I would welcome the opportunity to discuss CSIRO's submission with you.

Yours sincerely

[REDACTED]
Hazel Bennett
Chief Operating Officer

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CSIRO Submission 17/614

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

16 November 2017

1 Planning, Performance Management and Reporting

The PGPA ACT and Rule, as intended, have meant a considerable shift in approach to entities' planning and performance management and reporting. The support mechanisms provided by the Department of Finance, such as the several specialised communities of practice, have played a strong and positive role in helping this organisation transition to new processes and practice.

There are some issues with aligning planning and performance to the Portfolio Budget Statement (PBS) when the PBS is a framework for allocating resources, however contemporary organisations mitigate this through use of transient artefacts such as corporate strategy documents.

Documents such as organisational strategies are useful as the requirement to align the corporate plan to PBS forces a framework for articulating action, resource allocation and performance accountability which might not be consistent with the organisation's methods of communicating with their staff, public, customers etc. about more aspirational long term purpose and direction.

Flexibility is the key and it is important to recognise the different roles of different entities within the Commonwealth noting that, in the case of CSIRO, it is a delivery agency and may have different operational requirements to an agency having policy outcomes or regulatory responsibility. CSIRO supports the rescheduling of annual report submission.

2 Department of Finance Guidance Material

Since the PGPA Act and Rule guidance issued by the Department of Finance and others, including A-G, covers multiple categories of entities and companies of the Commonwealth, it is by its nature principles-based and 'generic', providing entities with considerable flexibility in their approach. CSIRO welcomes this flexible approach.

3 Subsidiaries and borrowing of money

The PGPA Act imposes on the accountable authority of a corporate Commonwealth entity a requirement to ensure, as far as practicable, that none of the entity's subsidiaries does anything that the entity does not itself have power to do (section 86 PGPA Act). Section 57 of the PGPA Act provides that an agreement for the borrowing of money by a corporate Commonwealth entity, including obtaining advance on overdraft or by way of credit cards, is of no effect unless authorised under the Act; the borrowing is authorised by the Finance Minister; or the borrowing is authorised by the Rule.

The PGPA Rule currently authorises borrowing of money by a corporate Commonwealth entity if the borrowing is obtaining credit by way of credit card and the agreement for the borrowing requires the amount borrowed to be repaid within 90 days.

CSIRO, from time to time, establishes subsidiaries. The reasons for the establishment of subsidiaries include supporting the commercialisation of technology through a “spin-out”; and in support of delivering on its current Strategy and Corporate Plan, including delivering on commitments under the NISA, e.g. the establishment of the CSIRO Innovation Fund. The combined effect of sections 57 and 86 of the PGPA Act means that CSIRO’s subsidiaries are not able to borrow money (other than by way of credit card). This may constrain the operations of subsidiaries as they can only raise funds through equity and are not able to leverage debt funding. It also means that CSIRO is not able to support a subsidiary by entering into a borrowing arrangement with the subsidiary.

This is an area where the principles-based approach to the PGPA Act and Rule is a challenge as, whilst it provides whole of Government consistency, it cannot efficiently provide certainty to meet all needs. We therefore note that organisations like CSIRO will need to contemplate alternative mechanisms to gain the ability to fully deliver on its mandate.

4 Commonwealth Risk Policy

While CSIRO, as a corporate Commonwealth entity, is not bound to comply with the Commonwealth Risk Policy, we have found the policy valuable in guiding our Organisation’s approach to our own Risk Policy and Framework.