



Australian Government
**Department of Agriculture
and Water Resources**

SECRETARY

PGPA Act Review
Attn: Review Secretary
Department of Finance
1 Canberra Ave
FORREST ACT 2603

Dear Ms Alexander and Mr Thodey

I appreciate this opportunity to provide a submission to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Rule Independent Review. This submission is made in my capacity as the accountable authority of the Department of Agriculture and Water Resources. This is not a portfolio-wide response, and as such, this submission provides a perspective from a materially large, non-corporate entity.

In line with the objects within the PGPA Act, this submission commences with general observations of *performance frameworks* under the PGPA Act, and then general observations of *governance and accountability*. The remainder of this submission addresses specific topics outlined in the Review's Terms of Reference.

The department has no comment on the reporting of whole-of-government results. It also has no comment on the PGPA Act's impact on smaller entities, but I understand a number of the accountable authorities of small corporate entities in this portfolio intend to provide their own submissions to the Review.

If you wish to discuss this submission further, please contact my office on [REDACTED] or the department's Chief Finance Officer, Ms Emily Canning, on [REDACTED]

Yours sincerely

[REDACTED]
Daryl Quinlivan

14 November 2017

Attachment

1. Department of Agriculture and Water Resources Submission to the *Public Governance, Performance and Accountability Act 2013* and Rule—Independent Review



SUBMISSION TO THE *PUBLIC GOVERNANCE, PERFORMANCE AND ACCOUNTABILITY ACT 2013* AND RULE—INDEPENDENT REVIEW

Introduction

The Department of Agriculture and Water Resources (the department) has prepared this submission to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Rule—Independent Review.

The submission addresses relevant elements of the review's terms of reference, and the department's continued commitment to accountability in its business practices under the PGPA Act and Rule.

General observations

Performance framework

The implementation of the PGPA Act and the enhanced Commonwealth Performance Framework has provided the opportunity for the department to recast its performance measurement. In particular, the requirement to publish a complete set of measures in a corporate plan, separate to the Portfolio Budget Statements (PBS), has enabled a more flexible approach to performance measurement.

Previously, the department framed key performance indicators (KPIs) around the program-based PBS, generating up to 120, often repetitive, KPIs. The corporate plan has allowed the department to re-align the PBS programs to focus on its strategic objectives. This has almost halved the number of performance measures against which the department currently reports.

The department has also expanded the reach of its measures to better report on the effectiveness of key activities, including enabling activities to build greater efficiency and capability. The approach under the PGPA Act and Rule, setting minimum requirements for performance measurement and reporting, supported by the Department of Finance's guidance, has facilitated this flexible approach to meet the PGPA Act's objects.

Governance and accountability

Generally, the PGPA Act has maintained a rigorous approach to governance and accountability for resource management in non-corporate entities such as the Department of Agriculture and Water Resources.

Outside of its performance measurement aspects, the PGPA Act is somewhat consistent with the preceding *Financial Management Accountability Act 1997* (FMA Act). Where the PGPA Act introduced new legislative requirements in governance and accountability, these often paralleled already-established practices.

Accountability and governance

Reporting on contracts and consultancies

The reporting requirements under the PGPA Act, and the means of preparing information on contracts and consultancies for the annual report, have not changed substantially from previous reporting under the FMA Act. The department has maintained its consistent reporting on these matters.

Reporting senior executive remuneration

While the method used to publish senior executive remuneration reports has changed (that is, from being a note to the financial statements, to being published on the department's website), the information presented in the reports, and the means of preparing that information, have remained consistent.

Changes to accounting standards

Changes to the AASB Standards provide an option for reduced financial statement disclosure. However, the department's financial reporting processes have remained mostly unchanged, in order to meet the Commonwealth's monthly reporting requirements, which operate outside of these standards. The Department of Finance manages the requirements made of agencies to meet the Commonwealth-level monthly reporting to parliament under the PGPA Act.

Annual report tabling

The department has consistently met the PGPA Act requirement to provide the annual report to the Minister by 15 October each year. Bringing forward the delivery date, or legislating an earlier tabling date, would require a reassessment of the content included in the report, and the associated assurance processes.

The objective of the enhanced Commonwealth Performance Framework, to broaden the range of criteria used by entities to measure and report their performance, has led to a substantial change to the department's performance measures. The nature of these measures means data is often not available until after the end of the financial year. An early delivery date would increase the risk to accurately reporting performance results, as required by the Rule.

Producing the annual report requires a significant effort. To meet an earlier delivery date, the department might need to engage additional temporary personnel from accounting firms and other providers, at significant cost, to address the surge in workload to produce the financial statements and annual performance statements.

The financial statements published in the department's annual report also require other portfolio entities to complete their financial statements beforehand, so the department can accurately report its financial interest in these entities. A compressed timeframe would make scheduling the production and assurance of inter-related financial statements problematic.

Role of audit committees

From 1 July 2015, the PGPA Rule prescribed that audit committees must have a majority of independent members. This increased level of independence has assisted the department in demonstrating accountability and transparency in performing and reporting on its financial functions.

Commonwealth Risk Management Policy

Risk maturity in Commonwealth entities

The requirements of s16 of the PGPA Act and the Commonwealth Risk Management Policy (CRMP) have better facilitated risk management within the department, by moving the focus from financial risk to whole-of-enterprise risk management.

The department assesses its risk maturity through the annual Comcover Risk Management Benchmarking Survey. While our risk maturity has continued to increase since the introduction of the PGPA Act, this has been an incremental change, as the department's risk maturity, as measured by the survey, was consistently higher than average prior to the implementation of the CRMP.

Enhanced Commonwealth Performance Framework

Timely and transparent, meaningful information to Parliament and the public

The department has sought to provide the Parliament and the public with meaningful performance information through a systematic performance framework. This includes developing a single set of performance measures that have enabled a clear read across the PBS, the corporate plan and the annual performance statements in the annual report.

The department supports continued flexibility in the Commonwealth Performance Framework, to allow entities to mature and embed their performance reporting processes and systems over time.

The department would support any move towards tabling performance information primarily in electronic form. Such an approach would align with 'digital first' initiatives across government and assist with delivering annual reports in a timely manner.

Guidance on the PGPA Act and Rule

As the department's performance framework continues to evolve, we welcome continuing to work with the Department of Finance to refine performance reporting guidance. Guidance on the resource management aspects of the PGPA legislation continues to be well-focused to its audience.

Communication strategies

The Communities of Practice organised by the Department of Finance have been a highly valuable forum to contribute to the development and implementation of the Enhanced Commonwealth Performance Framework. We would hope to see these continue as entities work to build mature performance measurement and reporting frameworks.

The Communities of Practice focused on the resource management aspects of the PGPA Act could be re-invigorated if any substantial changes in the PGPA legislation were to arise.