

21 June 2018

PGPA Act and Rule Independent Review Secretariat
Public Governance, Performance and Accountability
On Canberra Avenue
FOREST ACT 2603

By email: PGPAActReview@finance.gov.au

Dear Secretariat

Independent Review of the *Public Governance, Performance and Accountability Act 2013* and Rule

Thank you for the opportunity to provide comments on the draft report on the Independent Review of the *Public Governance, Performance and Accountability Act 2013* and Rule. While my Office generally supports the direction and recommendations in the draft report, I have detailed some comments below in relation to some of the specific recommendations.

Recommendation 14: While my Office is generally supportive of including risk in the title for audit committees, we would want to ensure that this doesn't prevent management from exercising its role in managing risk for the entity.

Recommendation 15: My Office supports the recommendation for all audit committee members to be independent, however we do not support the proposed definition whereby APS employees would not be considered independent. We don't believe audit committees will be stronger without APS employee representatives. Our view is a mix of independent and APS employee members for Audit Committees is more optimal, based on:

- Membership of audit committees provides development opportunities for APS employees, as well as benefiting the audit committee, the entity and promotes the sharing of better practice governance across the APS.
- The requirement to exclude APS employees from joining audit committees fails to recognise the wealth of expertise and experience that can be tapped into within the APS. Invariably, the strongest audit committees are those that have a diverse membership.
- The exclusion of APS employees from audit committees is also likely to impose a significant additional cost burden on the APS, most significantly on small entities.

Recommendation 20: While conceptually this recommendation appears to have merit, my Office is unclear how this would operate on a practical level. The information presented at Audit Committees is not necessarily the sort of information that could be broadly shared across entities and we would be concerned that management may restrict more sensitive data in such a setting (e.g. some internal/external audit findings and security risks).

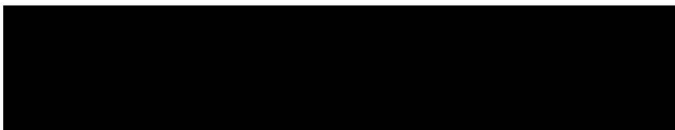
Recommendation 21: Producing a learning program for audit chairs is an excellent initiative and supported by my Office. It may also be worth considering expanding this recommendation to include the provision of instructional material for individuals who aspire to become audit committee chairs or join audit committees.

Recommendations 29: While my Office supports the recommendation to provide annual reports to parliament on or before 30 September, consideration of ANAO's capacity to complete financial statements audits (and potentially performance statements) in a timeframe (particularly for small entities) that supports this recommendation will need to be explored.

Recommendation 30: Phasing out hard copy annual reporting by 2019-20 is supported but the report fails to consider the additional challenges and costs that will inevitably accrue over time in accessing historical data as technologies are replaced and legacy systems become obsolete. We also note that the digital presentation of annual reports wouldn't necessarily reduce production timeframes significantly as setting digital presentation to meet WCAG requirements is time and resource intensive.

If you would like to discuss my Office's comments further, please contact Mr Dermot Walsh, Senior Assistant Ombudsman on 02 6276 3717

Yours faithfully



Michael Manthorpe PSM
Commonwealth Ombudsman

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