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Attention: Review Secretary  
PGPA Act Review  
Department of Finance  
One Canberra Avenue  
FORREST ACT 2603

Dear Ms Alexander AM and Mr Thodey AO

Thank you for the opportunity to provide a submission to the Independent Review of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) on behalf of the ABS. As the central statistical authority for the Australian Government, and a provider of statistical services to the states and territories, the ABS is committed to meeting the high standards of governance, performance, and accountability required by the PGPA Act.

You sought feedback from stakeholders in order to:

- examine whether the operation of the PGPA Act and Rule is achieving the objects of the PGPA Act in a manner consistent with the guiding principles;
- identify legislative, policy or other changes or initiatives, to enhance public sector productivity, governance, performance and accountability arrangements covered by the PGPA Act; and
- examine whether policy owners' implementation of the PGPA Act and Rule has appropriately supported their operation in Commonwealth entities.

#### **The operation of the PGPA Act and Rule**

The introduction of the PGPA Act and Rule established a more coherent and consistent system of governance and accountability across government entities. On the whole, since the introduction of the PGPA Act, there has been a stronger focus on governance, resources management and accountability across entities, resulting in improvements to entities' processes and decision making. However, there are further opportunities to embed good governance and resources management practices across all levels and activities of an entity. While this is arguably the responsibility of each entity, further support from Finance to improve awareness and engagement across all entity staff would be beneficial. For example, case studies or relevant online tools, highlighting the application of the key duties for all officials, might enable a broader range of staff to relate to relevant PGPA Act issues.

Encouragingly, the PGPA Act's focus on more holistic and strategic considerations, such as resource management and cooperation, rather than prescriptive financial management processes, is driving better decision making and performance. While some improvements, with the implementation of differential reporting have been realised, there is still an opportunity to continue to improve flexibility and proportionality across a range of areas. In particular, there appears to be inconsistencies in the principles-based approach of the PGPA Act and Rule and the level of prescription and direction in related resource management guidance, the Appropriation Bills, and the Budget rules and policies. Specifically, in the Budget space there are a range of additional prescriptive requirements and restrictions, such as ASL Caps or rules around transfers between operating and capital expenditure or movement of appropriation for capital expenditure across years, which limit or remove the flexibility introduced by the PGPA Act. This can impact on entities' performance and make it difficult to flexibly deliver outcomes. There would also be benefit in greater alignment between PGPA Act and ANAO auditing requirements.

The implementation of the PGPA Act and Rule has seen a greater focus on risk, improved clarity of roles, and an emphasis on proportionality, which are positive outcomes. Ongoing work to improve entities' risk maturity is still needed, particularly with new issues, such as shared inter-agency risks and effectively communicating risks to Government. Going forward, there may also be an opportunity to clarify or consolidate expectations relating to fraud

risk, business continuity risk, and enterprise risk. Again, there would be benefit in providing greater support for entities trying to change their culture and embed risk management in their everyday processes, so that management of risks becomes a value add rather than a compliance activity.

### **Changes or initiatives to enhance public sector productivity**

The changes to accounting standards that came with the introduction of the PGPA Act and Rule have improved the transparency of the financial statements and have, for example, provided greater clarity around reporting of senior executive remuneration. From a whole-of-government perspective, reporting is now better aligned across non-corporate and corporate Commonwealth entities enabling consolidation of reporting and improved transparency. These accounting changes have also simplified the structure, format and language used in the financial statements, enabling more streamlined reporting. There is scope to build on this and introduce further simplification, such as reducing disclosure requirements or further tiering reporting to enable entities to provide relevant information to the level of detail proportional to their size, functions and risks.

The strengthening of the planning and performance framework has made expectations clearer and increased awareness of entity goals and priorities. It appears to have also met the object of providing more meaningful information to the Parliament to enable them to focus on entities' performance. Conversely, the various planning, budgeting and reporting timeframes do not appear to be well aligned. This has led to a duplication of some reporting processes or sequencing issues, particularly where improvements or adjustments need to be made in one or more areas, such as aligning performance measures across the entities' Portfolio Budget Statements and Corporate Plan. There would be benefit in better alignment of Budget deadlines and PGPA requirement timeframes to improve planning and performance reporting.

There is also further opportunity to continue to build on the new requirements introduced by the PGPA Act by providing additional context and guidance and through aligning guidance across other Commonwealth frameworks. In particular, there would be benefit in clarifying the interaction of the APS Code of Conduct requirements and the duties set out in the PGPA Act.

### **Impact on entities' operations**

The introduction of the PGPA Act had a limited impact on the day-to-day operations of the ABS once relevant systems, such as delegations and AAls, were updated to reflect the new requirements. In terms of the duties established by the PGPA Act, some duties, such as cooperation with other Commonwealth entities, have not been well understood and the relevant guidance could be improved to better enable entities to more effectively use these provisions to help manage issues, such as the challenges of large logistical exercises involving multiple entities. The current guidance is too narrowly focused on grants and procurements as key mechanisms for engagement.

I have attached further information relating to your technical questions. I would welcome the opportunity for further engagement with the Independent Review of the PGPA Act and am happy for the ABS Submission to be published on the PGPA Act Review website with name and address details included. If you or your office have any questions or require further information, please contact Ms Kerry Markoulli, Program Manager, Risk, Planning and Policy Branch, on [REDACTED]

Yours sincerely

[REDACTED]  
Lily Viertmann  
Chief Finance Officer, Chief Risk Officer and General Manager  
Finance, Risk and Planning Division  
Australian Bureau of Statistics

16 November 2017

## **Technical Responses to Independent Review Questions**

### **Accountability and Governance**

There would be benefit in developing a whole-of-government approach to accountability and reporting, by identifying and reducing duplicative reporting and ensuring consistency of requirements and timelines. For example, reporting on contracts and consultancies in Annual Reports would appear to be no longer necessary, given that this information is now reported through AusTender. Similarly, assurance of confidentiality clauses in contracts by Accountable Authorities seems to be duplicative.

The current tabling timing for entities' Annual Reports is appropriate. The preparation of the Annual Report, as legislated by the PGPA Act and Rule, requires adequate time to ensure all requirements are met and that the financial and performance statements are properly assured. In addition, inputs into the report, such as human resource management information, cannot be readily finalised until well after the end of financial year. Any changes to timing would need to be supported by subsequent changes, such as the removal of the need to table physical printed copies in the Parliament and ANAO to be adequately resourced to complete the audit of entities' financial statements.

Audit Committee requirements and the role of Audit Committees are clear and promote accountability and performance. The value and benefit of the Audit Committee, as formulated under the PGPA Act (i.e. with majority external membership and a clear and expanded role) has been invaluable in challenging the thinking of entities, providing additional governance oversight and bringing diverse and fresh perspectives. Where audit committee members also sit on a number of committees, they have played a critical role in sharing better practices across government thereby improving the overall performance of the public service. However, if the role of the Audit Committee was to be expanded further to provide assurance on actual performance measurement, the line between the Audit Committee's role and the entity management's responsibilities may be blurred.

### **The enhanced Commonwealth performance framework**

The visibility of the annual performance statement has helped push the ABS toward a more meaningful and mature set of measures. However, as it currently operates, the framework seems to incentivise reporting that is achievable and static from year to year. The inter-linkages between the corporate plan and annual report appear to be too prescriptive and hard-wired, making it difficult to respond flexibly to changing requirements and implement agile practices. This seems to be largely driven by the timeframes for the reporting being out of sync, which makes it difficult to implement continual improvements to ensure that planning is driving budgeting as intended under the PGPA Act and Rule. This is further complicated by components of the cycle being driven by non-PGPA related requirements such as the Charter of Budget Honesty. Furthermore, other reporting requirements, such as compliance and regulator performance framework reporting, are creating additional burden and red tape. For agencies who are regulators, consideration may be given to incorporating the regulator performance framework as part of the agency's Annual Performance Statements. The requirement under the PGPA Rule for the Accountable Authority to sign a statement stating that the performance statements 'accurately' present the entity's performance is a much higher standard than that required for financial statements.

### **Support provided to Commonwealth entities**

The ABS has found the available support mechanisms have been very positive and useful, and it is noted that these have improved considerably since the introduction of the PGPA Act and Rule. For example, resource management guides (RMGs) 100 and 500 are very useful, however, having 15 RMGs on assurance and accounting and 21 on Using Public Money (i.e., RMGs 400 to 421) seems excessive. These materials would

benefit significantly from the inclusion of content that explains the rationale for the processes so that officers can exercise judgement in achieving the intended outcome rather than following a process for process sake. In addition, the Comcover resources and training are very useful and helpful and the annual benchmarking survey is a good resource for entities to assess their level of maturity with risk management.