



Ms Kim-Louise Brenning  
PGPA Act and Rule Independent Review Secretariat  
Department of Finance  
One Canberra Avenue  
Forrest ACT 2603

Dear Review Secretary

I refer to correspondence of 9 October 2017 to Professor Anne Kelso, Chief Executive Officer of the National Health and Medical Research Council, inviting observations and input for the independent review of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

Professor Kelso has referred the matter to me and I apologise for the delay in providing a response to you. The National Health and Medical Research Council (NHMRC) invests in health and medical research and advancing health and medical knowledge to improve the health of all Australians. NHMRC is a small agency within in the Health Portfolio, with 208 employees (181 ASL) as at 30 June 2017.

NHMRC has operated within the Public Governance, Performance and Accountability Act 2013 (PGPA Act) since it became operational in 2014. NHMRC considers that the PGPA Act and Rule are achieving their objectives, as described in Section 5 of the PGPA Act.

NHMRC is operating efficiently and effectively under the PGPA Act and Rule but has experienced ongoing challenges transitioning operations to fully leverage off the PGPA Act principles. The initial transition to the PGPA was relatively straight forward, however the full flow-on effects are taking some to realise as there is a natural lag in the full expression of some of the principles (eg engaging with risk) in the context of wider government policies and practices. For example, procurement practices continue to be dominated by risk adverse processes that can frustrate the timely achievement of value for money.

The greater level of flexibility accorded by the PGPA Act has meant that NHMRC must maintain high levels of risk monitoring and mitigation controls; which impose new cost drivers that take time to realise efficiencies and affect some up front efficiencies.

NHMRC's experience in transitioning to infrastructure, platform and software 'as a Service' and the procurement of data analytic capabilities, for example, is impacting upon financial reporting in so far as

the historic valuation of intangibles through capital expenditure does not necessarily reconcile easily with the transition to 'as a Service' capabilities.

The following comments are provided on specific areas of interest.

### **Corporate Planning**

The corporate plan provisions of the PGPA Act have created challenges for NHMRC in terms of aligning these requirements with the way that NHMRC operates on a triennium timeframe. NHMRC's Council and Principal Committees are re-appointed every three years. Before the introduction of the PGPA Act, NHMRC published a strategic plan every three years, setting out priorities for the forthcoming triennium, upon which the committees based their work. This plan was reported against every three years. The strategic plan was a requirement of the *National Health and Medical Research Council Act 1992* (NHMRC Act). While the NHMRC Act was amended so that the corporate plan now replaces the strategic plan, the plan must now be published annually (in line with PGPA Act requirements), and must still include additional material in line with NHMRC Act requirements.

The material required under the NHMRC Act is strategic in focus, and intended to identify issues and priorities over a full triennium. The annual review of the corporate plan, and in particular the requirement that each plan must cover a new four-year period, means that the need for this high-level strategic material to remain relatively stable must be balanced with the requirement that it cover a new period each year. While NHMRC has adopted strategies to address this issue, the need to review the full plan each year (including the strategic planning material) creates an additional administrative load that was not present under the former strategic plan arrangements.

The NHMRC Act also requires consultation with both the Minister and the NHMRC Council about the content of the plan, Ministerial approval before publication of the plan and tabling of the plan in Parliament. While NHMRC has always met the legislative deadline for publication of corporate plans, these additional steps have the potential to create challenges in doing so, with no mechanism currently present to seek permission for late publication if unavoidable delays occur.

In terms of performance reporting, the triennial timeframe that NHMRC has to plan for is out of align with the required four year reporting period required under the PGPA Act. This presents challenges for NHMRC as it is difficult to align the PGPA Act requirements with its triennial timeframes.

In light of these challenges, NHMRC would welcome consideration for increasing scope for additional flexibility for entities with enabling legislation that imposes corporate planning requirements that do not easily align with the requirements of the PGPA Act.

### **Portfolio Budget Statements**

The improved cohesion between the Portfolio Budget Statements and the Corporate Plan is sensible as it provides a clearer view of how the appropriations in the budget are projected to result in tangible and measurable outcomes. NHMRC also supports the increased transparency and accountability flowing from strengthened linkages between targets and key performance indicators defined in the Portfolio Budget Statements to actual results reported in, for example, Annual Reporting.

### **Risk management**

The introduction of the PGPA Act and the requirements of the PGPA Rule have led to the formalisation and maturation of risk management (RM) processes at NHMRC, creating a shared understanding and approach to RM across the agency.

Participation in Comcover's annual risk management benchmarking survey also provides NHMRC with an opportunity to review and benchmark its RM processes against those of comparable agencies. Since 2015, NHMRC has achieved its target risk maturity level and NHMRC remains committed to managing its risks both strategically and systematically.

### **Declarations of interest**

While the NHMRC has its own legislative requirements regarding the Disclosure of Interests, the requirements in the PGPA Act have co-existed well alongside these. The PGPA has applied a contemporary and transparent approach to the disclosure of interests and NHMRC has enhanced its policy and processes as a result.

### **Standardisation of Reporting**

NHMRC considers that the use of AusTender has provided significant benefits and efficiencies for the reporting on contracts and consultancies, but that centralised procurement has led to some inconsistencies in how different panel operate.

NHMRC notes that the forthcoming requirements for reporting grants on 'Grant Connect' has the potential to streamline relevant reporting obligations, including disclosures under the Murray and Minchin motions'. However, NHMRC also has some concerns that implementation of Grant Connect may also create some duplication and inconsistency in stakeholder engagement, if not implemented in a considered way that recognised the difference in behaviour between users who regularly engage with government and those that do not.

NHMRC has concerns, however, about bringing forward the timing of annual reporting as it would significantly increase the risk and cost of financial statements preparation, including related audit processes.

### **Information and Communication Technology**

Finally, NHMRC considers that the overall level of support provided to Commonwealth entities by the Department of Finance and the Attorney-General's Department has been very good and appreciates the opportunity to provide comments in the context of the review of the PGPA Act and Rule.

Please contact me if you require any further comments or clarification around the matters outlined above.



Tony Krizan  
Chief Financial Officer  
21 November 2017