

## Department of Industry, Innovation and Science

### Response to the Independent Review of the PGPA Act and Rule – Consultation Draft Report (June 2018)

#### Performance reporting

- The department broadly supports the recommendations on Performance Framework (recommendations 2 to 9), which we believe will have positive impacts on performance reporting.
  - For recommendation 3, the Secretaries Board should also take initiatives to support the development of skills and capabilities of entities in performance reporting. The wording of this recommendation could be strengthened as below:

The Secretaries Board should take initiatives to improve the quality of performance reporting, including through *more effective and informed* use of evaluation, focussing on strategies to improve the way entities measure the impact of government programs.
  - For recommendations 4 and 5, we would like to see the wording nuanced to reflect that evaluation, rather than audit, expertise is required to assess the effectiveness of performance reporting on the impact of government programs. For departments where audit and evaluation functions are combined, the recommendation will presumably be effective, but for departments such as DIIS where the functions are separate, or for departments where there is little or no evaluation function, evaluation rather than audit expertise will be required to judge the validity of the approaches and methodologies that underpin findings on program impact. This will not be achieved by simply informing audit committee members better about the requirements of the Act as per recommendation 5. For this reason, it is inappropriate to position this role entirely within audit committees as proposed. In the longer term, consideration should be given to establishing a separate Australian National Evaluation Office, parallel to the ANAO, to be headed by an Evaluator General.
  - For recommendation 6, Finance should make use of frequently asked questions in its guidance on performance reporting to assist entities to meet the requirements of the PGPA Act and Rule and develop high-quality performance reports.
- The department welcomes the recommendations to clarify reporting requirements and reducing the reporting burden (recommendations 23 to 28).
  - For recommendation 24, we strongly support that the annual performance statement should be the primary vehicle for reporting the performance of Commonwealth entities.
  - For Recommendation 28, the inclusion of financial information in the Corporate Plan should not turn into an additional reporting burden and duplication of effort.

#### Annual report

- The department strongly supports the concept of a fully digital approach to annual reporting (Recommendation 30).
- With an appropriate digital platform and process for tabling annual reports, and noting that the Auditor-General is committed to working with entities to achieve the earlier completion of financial statement audits, the department believes a 30 September tabling date for annual reports could be achieved (Recommendation 29)

- While looking forward to the efficiencies that a digital approach to annual reporting could provide, a review of the annual report requirements should not be neglected.
  - The consultation draft indicates that the required content for annual reports has increased over time with little evidence of the requirements being reviewed for simplification or redundancy.
  - Development of a fully digital platform for annual reporting could, in fact, be a timely opportunity to review reporting requirements to ensure an efficient process and streamlined and useful reports.

#### Audit Committee

- Agree with most of the recommendations for audit committees, but suggest that:
  - Recommendation 15 seeks all members of audit committees to be independent of the Commonwealth public sector. The department has concerns with this recommendation as this may jeopardise the value provided by members from the Commonwealth public sector who provide context on public sector governance or rules. The proposed recommendation would also result in significant provider costs.
  - For recommendation 17, information on remuneration scale or hourly rates be made available on the finance website for guidance on remuneration together with a methodology on how remuneration could be calculated.
  - The maximum appointment term in recommendation 18 be defined for consistency across Commonwealth agencies for both the chair of the committee and the committee members.