

## **Attorney-General's Department**

### ***PGPA Act and Rule Independent Review – draft report response***

Dear Review Secretariat

Thank you for the opportunity to comment on the Independent Review of the PGPA Act and Rule draft report.

The Attorney-General's Department considers the report to be very useful. We believe the report would be strengthened by additional discussion text and the revision of some recommendations as follows:

#### **Recommendation 5: Audit Committee Chair Learning Programs**

The Department of Finance (Finance) supporting learning programs for audit committee chairs seems a helpful strategy for knowledge transfer. It may be beneficial for this recommendation to include audit committee members to ensure there is consistency of treatment and expectation around common issues across agencies.

#### **Recommendation 8: Performance Audit Standards Development**

There is a question whether the Australian Accounting Standards Board is best placed to develop auditing standards for performance information or whether more relevant audit expertise may exist elsewhere.

Noting the acknowledgement in the Review to the lack of clarity created by variations in interpretation of guidance material between Finance and the ANAO, we suggest that the recommendation be revised so that any standards, both for entities and audit committees and auditors, be developed by the same organisation to ensure clarity in interpretation and implementation.

#### **Recommendation 11: Managing and Engaging with Risk**

As the Review acknowledges, drivers of a risk averse culture include external factors such as the treatment by external scrutineers of issues that have been subject to risk management decisions— be they parliamentary (eg Estimates Committees) or statutory (eg ANAO). The Review might include the ANAO as one of the shapers of risk culture as well as accountable authorities, ministers and parliament.

The Review acknowledges evidence does not indicate the risk appetite of ministers, or the Parliament, has shifted in recent years. Recommendation 11 goes some way by suggesting that Parliament acknowledges the complexity of government operations, but this is likely to be insufficient in respect of any matter where progress or outcomes are less than or different than expected, irrespective of the sophistication of agencies in identifying risk appetite and explaining how risks would be managed. An amendment to the objects of the Act (s 5) “to support and improve risk management by Commonwealth agencies” might be helpful – with appropriate parliamentary support for risk management through second reading speeches and Explanatory Memorandum. Without such legislative mandated support for engaging with risk, risk management efforts may be more directed to post-fact compliance rather than ongoing positive engagement with risk and looking for opportunities.

#### **Recommendation 12: Appointing a Chief Risk Officer**

There are some Commonwealth entities, which may or may not be large in size, where high-risk or complex risks need to be assessed and managed and where the appointment of a Chief Risk Officer would be beneficial. It may be beneficial to examine the experiences of existing Chief Risk Officers in

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developing this recommendation further and establishing criteria as which entities would benefit from such a position being created.

#### **Recommendation 13: Establishing a Separate Risk Committee**

The Review does not make a compelling case as to why audit and risk activities should be managed by separate committees. It is not clear why a standalone risk committee not tasked with overseeing performance or audit would be more effective than a combined committee. It would be useful if the Review included more discussion about the benefits that may be realised by establishing a separate risk committee, particularly noting the potential cost burden on agencies in doing so.

#### **Recommendation 15: Independence of Audit Committee Members**

The Review makes useful points about the benefits of external experience on a risk and audit committee however the recommendation does not appear to give sufficient recognition to the benefits to a committee of having entity employees with detailed knowledge in its membership. In a fiscally constrained environment, the engagement of an entirely independent committee would represent value for money. There are also benefits within an entity of exposing entity employees to risk management via participation in audit and risk committee activities. This recommendation seems to run counter to Recommendations 10 and 11 which seek to expand and embed risk management knowledge within the entity.

#### **Recommendation 32: Priority Setting Under Section 34 of the PGPA Act**

The publication of a statement of key priorities and objectives may present a range of challenges. One such challenge would be the timing of the statement and arrangements in an election year where agencies are required to outline in their corporate plans how these activities contribute to achieving those priorities and objectives. Some further discussion of how this may be implemented would be helpful in considering and supporting this recommendation.

Thank you again for the opportunity to comment on the draft report. We are happy for the above comments to be publically available and look forward to seeing the final report.

If you have any queries about the above, please do not hesitate to contact me, or Emma Appleton, Director of our Governance Office. Emma can be contacted at [Emma.Appleton@ag.gov.au](mailto:Emma.Appleton@ag.gov.au) or on 02 6141 2905.

Kind regards

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