



Australian Government

Department of Infrastructure, Regional Development and Cities

**Secretary
Dr Steven Kennedy PSM**

PDR ID: [REDACTED]
Contact: Mr Carl Murphy

Ms Elizabeth Alexander AM
Mr David Thodey AO
PGPA Act and Rule Independent Review Secretariat
Department of Finance
1 Canberra Avenue Forrest ACT 2609

Via email: PGPAActReview@finance.gov.au

Dear Ms Alexander and Mr Thodey

PGPA Act and Rule Independent Review – Draft Report

Thank you for your correspondence dated 30 May 2018, requesting feedback on the draft report of the PGPA Act and Rule Independent Review.

The Department of Infrastructure, Regional Development and Cities commends the review for its efforts to clarify requirements, reduce reporting burden and encourage risk engagement in Australian Government entities. We also note the importance of a principles-based approach to performance, governance and accountability so that the accountable authority has the flexibility to implement relevant systems, policies and processes that reflect the entity's context.

The Department has reviewed the draft report and agrees that it recognises the complex environment in which government operates and highlights the positive impact of the PGPA Act and Rule. We have attached some comments for your consideration.

Should you require any further information, please contact Mr Carl Murphy, Chief Operating Officer, on 02 6274 6439 or email carl.murphy@infrastructure.gov.au.

Yours sincerely

Steven Kennedy

20 June 2018

Encl.

Department of Infrastructure, Regional Development and Cities
Comments on PGPA Act and Rule Independent Review – draft report

Recommendation	Comments
7. The Finance Minister should request that the Auditor-General pilot assurance audits of annual performance statements to trial an appropriate methodology for these audits.	Performance statements are intended to report on achieving outcomes which can be difficult to measure and subjective. There will be challenges in the audit of the supporting information which will increase the administrative burden to ensure that each measure can be fully substantiated at a similar level to the audit of the financial statements. This may create an incentive to select performance measures based on factors that can be easily measured and verified such as outputs, rather than factors that contribute to achieving the outcome. This department is currently undertaking an internal audit of its annual performance statement, and this might be an alternative approach worth considering more generally.
10-11. Managing and engaging with risk.	We suggest that ‘consider’ be inserted after ‘should’ for recommendations 10 and 11. This is consistent with recommendations 12 and 13, and supports the accountable authority to maintain discretion about offering incentives around risk and engaging with external stakeholders about key risks, as appropriate.
12-13. Managing and engaging with risk.	The terms ‘large entities’ and ‘complex risks’ are not defined. Provision of a definition will improve clarity.
15. The independence of audit committees should be strengthened by requiring all audit committee members to be independent, with independence defined as not being an official or employee of a Commonwealth entity.	The report notes that audit committee members should have appropriate skills, experience and understanding of the business. It may be difficult to build an understanding of the business if all members are from outside any Commonwealth entity, particularly if the same requirement applies to subcommittees of the Audit Committee. The current arrangement where a majority of members are independent is considered sufficient to the purposes outlined in the report. It is important the Chair of the Audit Committee be independent.
29. Annual reports should be presented to the Parliament on or before 30 September.	We support this recommendation in principle but practical issues may need to be addressed to ensure it is achievable. For example, entities may struggle to meet the 30 September deadline if the Australian National Audit Office is not able to bring forward its audit timeframes so the financial statements in an annual report can be finalised appropriately.
34. Accountable authorities should disclose executive remuneration in annual reports [as shown in Appendix C].	The implications of this recommendation require careful consideration as this may lead to ranking of key management personnel across the Australian Public Service by salary.
General	In considering the recommendations and their potential implementation, we support the role of the Department of Finance to provide advice and clarify technical issues, as noted in the report.

