



REF: [REDACTED]

9 November 2017

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

Dear Ms Balmaks

***Public Governance, Performance and Accountability Act 2013 and Rule Independent Review***

The Australian Fisheries Management Authority (AFMA) welcomes the Independent Review of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

AFMA supports the underlying principles of the PGPA Act and Rule to enhance accountability, whilst balancing additional planning and reporting obligations with scope to engage with risk and manage in a way that is appropriate to our operating environment.

However, as a small agency this has come at a disproportionate cost (compared with larger non-corporate Commonwealth entities) with an over-emphasis on prescribed approaches and content of reporting, sometimes involving duplication of other similar processes. Feedback on our performance and reporting has similarly not recognised such impacts, discouraging adoption of alternative appropriate systems and processes rather than promoting flexibility.

***Consideration of the impact on small entities and management under the new framework***

AFMA's successful completion of two reporting cycle rounds since 2014 has confirmed that the PGPA Act and its associated elements have increased the focus on risk

management, financial and stakeholder accountability and performance measurement – all resulting in improvements in AFMA’s management.

At the same time, introducing revised systems and approaches against the one set of legislative requirements and rules and in the same timeframes, has naturally led to greater resource demands on small agencies, like AFMA, than larger entities. For example, in refocusing its financial framework to meet the PGPA requirements, AFMA had to use contractors rather than internal staff resources to develop and review operating practices, policies and procedures in order to establish fit for purpose Accountable Authority Instructions associated with financial delegations as well as develop internal training responses in order to effectively implement aspects of the new legislative framework. Whilst acknowledging that there are training packages available through the Department of Finance, these generic tools do not, in our view provide significant guidance to staff in the practical application of the new legislative framework to an entities specific operating environment. This limitation therefore requires more practical training advice and information to staff, again putting demands on our limited resources.

### ***Accountability and Governance***

There is a wide diversity in terms of entity role, size and purpose across the Commonwealth and the current approach to regulation is complex – a one size fits all approach in relation to accountability is not adequate. The significant amount of compliance and reporting obligations become a burden when, as is the case for AFMA, there are limited resources to draw on. Being innovative, flexible and agile have been constrained due to the extensive amount of externally imposed rules and requirements within the Commonwealth public sector that go to the detail of how we conduct our operations.

There is significant duplication between in-year reporting and annual reporting. In addition to the mandatory requirements (as set out in the PGPA Act) for the annual report, there are many other planning and reporting requirements imposed by policy owners during the year and annually to comply with a number of other Government policy agenda. The requests are frequently for the same data/information in slightly different formats. Often major reworking of the information is necessary with no obvious benefit to AFMA. While outside the PGPA framework, the Regulator Performance Framework is one such example. Government determined Key Performance Indicators and external self-assessment require AFMA to consider and report again on material that already sits, or could sit within the Annual Performance Statement and Annual Report.

Whilst AFMA views ongoing changes to the legislative framework in many ways as a useful catalyst for internal review, there appears to be little consideration given to the resourcing impost that is likely involved. The PGPA legislation has also increased the requirements for specialised skills and knowledge that are not as easily maintainable in a small organisation.

The processes for timely and transparent advice provided to Parliament and reporting on contracts and consultancies in annual reports have remained broadly unchanged.

Any changes to annual report delivery and tabling date timeframes would create high levels of increased workload, especially for smaller agencies like AFMA. Each incremental decrease in timeframes would deliver a disproportionate increase in costs, higher levels of workload and would likely increase resource needs in an already resource-constrained environment. AFMA would suggest that any such changes would need to be balanced with reduced disclosure requirements, increased external audit resources and internal entity resources.

A recent example of how not to approach this is with annual reporting changes for senior executive remuneration as accounting standards have focussed on reduced disclosure requirements. However, other government disclosure requirements have essentially replaced them, while being produced on a different basis and with no auditing. There is also considerable variation in whole-of-government financial reporting requirements for the Annual Report and those for the government's consolidated financial statements (CFS). For instance, some financial reporting requirements for the Annual Report have been streamlined and only require general information. However the reporting requirements for the government's CFS also calls for this information but in much greater detail. This inconstant approach seems to us, counter-productive to the intent of the new legislative framework.

AFMA supports the recommendation requirement of the Belcher Report from August 2015<sup>1</sup> to "re-focus the annual report which is tabled in Parliament around the entity's performance in achieving its purposes, and remove unnecessary detail that obscures this primary purpose." This includes entities placing on their websites non-essential details such as compliance with energy efficiency, disability, multicultural, or environmental policies.

The Belcher report proposed reducing duplicated work by moving to online, continuously updated reporting on non-essential details. This would enable users to analyse the data, generate reports and to ensure timely, transparent and meaningful information. Transition to digital by design annual reports, with e-tabling, would also enable mandatory information to be provided outside the main report, and accessible via web links.

It is also notable that entity audit committees, as they are currently structured, provide a robust basis for external review and assurance to entity accountable authorities and their executive leadership teams. Similar to audit committees in the private/corporate sector,

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<sup>1</sup> *Independent Review of Whole-of-Government Internal Regulation*, Report to the Secretaries Committee on Transformation, Vol 1 Recommendations p 38

they provide entities with the opportunity for input from individuals with broader and/or different critical thought than would otherwise be available within the entity.

### ***Commonwealth Risk Management Policy***

The Commonwealth Risk Management Policy provides an excellent basis for entity risk management. However, the risk management policy was broadly retrofitted to all agencies without consideration of the full resource preparation and support needed to properly implement across the Commonwealth. Whilst central (Finance) resource material and support is available, there was the need to further enhance AFMA's risk management staff resources through contractors to fully develop, implement and embed risk management, applying the principles of the Commonwealth Risk Management Policy.

Whilst, again this has been very useful and valuable in the business of AFMA, it was an additional resource impost, particularly in the implementation phase and especially so for a small entity. Despite such efforts and the additional costs to the agency, a review of *The Management of Risk by Public Sector Entities* (published in August 2017) of four sample agencies by the Australian National Audit Office, was based on a uniform set of criteria without substantive consideration of the relative availability of resources (for AFMA some 180 staff and an annual budget of \$40 million; compared with the Australian Communications and Media Authority with around 446 staff and a total budget of approximately \$93 million; or even the Department of Health with around 5037 staff and a total budget of approximately \$54 billion). While AFMA acknowledged the reviews suggested areas for improvement, it could be argued that some stakeholders may well have formed negative perceptions of the entities approach to risk management based on the lack of context provided in the review relating to each entity and the level of risk each entity effectively manages.

### ***Enhanced Commonwealth performance framework***

The enhanced Commonwealth performance framework is worthwhile but with a disproportionate resource impact for small entities. Again there are areas where duplication of effort in reporting can be considered. Examples include the inclusion of performance measures in both the Corporate Plan and the Portfolio Budget Statements. The inclusion of the performance statement, which is really an addition to performance reporting embedded throughout the Annual Report, could be considered as superfluous.

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

While there is a great deal of information available in guidance materials to support entities, there are also numerous detailed requirements embedded throughout these numerous guides. Guidance provided is often designed for large, complex and high risk entities, not necessarily for the needs of smaller entities. There is a lack of clarity in some areas resulting in smaller entities adopting more extensive processes than necessary, potentially hindering risk and performance-based management.

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Enhanced communication and guidance about how small entities implement internal controls would assist to more effectively accommodate risk and realise the benefits inherent in the PGPA Act. Portfolio departments might consider taking a more active role in assisting their smaller agencies to meet regulatory requirements.

If you would like additional information or to discuss matters further, please contact Mr John Andersen, General Manager, Corporate Services Branch [REDACTED]  
[REDACTED]

Yours sincerely

[REDACTED]

Dr James Findlay  
Chief Executive Officer

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