



6 November 2017

Ms Elizabeth Alexander AM and Mr David Thodey AO
PGPA Act Review
Attention: Review Secretary
Department of Finance
One Canberra Avenue
FORREST ACT 2604

Dear Ms Alexander and Mr Thodey

Independent review into *Public Governance, Performance and Accountability Act 2013* (PGPA Act)

Thank you for your invitation to submit the Memorial's contribution to the Independent review of the PGPA Act, which is supplied at [Attachment A](#).

I am responding on behalf of the Chairman. Should the Committee wish to discuss any of the comments made in the attached submission, I can be contacted on [REDACTED]

Yours sincerely,

Ms Leanne Patterson
Assistant Director
Branch Head, Corporate Services

Here is their spirit in the heart of the land they loved; and here we guard the record which they themselves made. C.E.W. Bean

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Australian War Memorial submission: Independent review of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)

Terms of reference / reason for independent review:

The Minister for Finance, in consultation with the Joint Committee of Public Accounts and Audit (JCPAA), has commissioned an independent review of the operation of the PGPA Act and Rule in accordance with section 112 of the PGPA Act.

The independent review is commissioned in accordance with section 112 of the PGPA Act and is seeking to:

- examine whether the operation of the PGPA Act and Rule are achieving their objectives and meeting their guiding principles;*
- identify changes or initiatives that will enhance public sector productivity, governance, performance and accountability arrangements covered by the Act; and*
- examine whether the implementation of the Act and Rule has appropriately supported operations of Commonwealth entities.*

The Memorial has addressed its response under each of the broad headings supplied in the Scope of the Terms of Reference.

Impact of the new legislative framework

Overall, the Memorial considers that the PGPA Act and Rules and supplementary information (Resource Management Guide (RMG), for example), provide structure and scope while also allowing flexibility to determine its own arrangements.

While there were some new requirements (such as annual performance reporting) that has required a level of internal change, the introduction of the PGPA Act has not presented a significant departure from previous practice for the Memorial.

In particular, a positive change has been the promotion of red tape reduction from the Review of Whole-of-Government Internal Regulation (Belcher Red Tape Review). The PGPA Act allows the flexibility for agencies to implement the Review recommendations, especially around lowering delegations down to the lowest practicable level, and to engage with a level of risk which is reasonable to lower costs of compliance.

The Memorial is a medium-sized agency and current PGPA Act obligations are managed within existing resources, but when considering the introduction of new requirements, Government should be mindful of the impact and cost for smaller agencies.

As noted above, the Memorial has not encountered significant difficulty complying with the current PGPA Act, however would welcome a review of its current material entity classification. As a material agency, the Memorial is subject to the same annual budgeting and financial reporting obligations as much larger Commonwealth agencies, primarily due to the reported value of the National Collection of heritage assets. A

reclassification from 'material' would reduce the administrative and reporting burden on the Memorial (and similar agencies) whose contribution to whole of government results would not affect the final outcome.

Accountability and Governance

The annual performance reporting process is not considered administratively burdensome, however, Government must be cognisant when considering additional requirements or compressed timeframes that in small to medium sized agencies, the responsibility to deliver the key components of the performance framework rests with a small number of staff. For example, the Memorial's annual budget, Portfolio Budget Statements, annual financial statements, corporate plan and annual report functions are delivered by four key positions (in addition to their other tasks), so any additional reporting or compressed timeframe will divert resources from other core activities.

As such, the proposal to bring forward an earlier Annual Report tabling deadline could not be achieved by the Memorial without a holistic shift in the overall reporting and Accountable Authority clearance regime. Section 43 of the PGPA Act currently requires audited Financial Statements to be included in Annual Reports, which are reviewed and cleared by the Memorial Council before ANAO clearance prior to publication. The current timeframe requires careful scheduling to meet the Parliament tabling deadline, and an earlier delivery date would be unachievable unless the requirements of S43 (4) were relaxed or removed.

The Memorial supports providing transparency to Parliament, however the proposed disclosure of SES remuneration must take into account the privacy considerations for staff in small to medium sized agencies, where individual remuneration levels could be easily identifiable.

Commonwealth risk management policy

Prior to the PGPA Act requirement, the Memorial's Finance, Audit, and Compliance Committee (FACC) was established as a committee of Council to provide independent assurance and advice on the Memorial's risk, control and compliance framework, financial statement responsibilities, performance reporting, legislative and policy compliance, and internal and external audit activities. Minor adjustments to the previous terms of reference were made to ensure full compliance with the PGPA Act, however the legislation has not changed the role or responsibilities of this important Committee.

The Committee maintains oversight of the Memorial's risk management policy and has determined the organisation's risk appetite. The Memorial has invested considerable effort in improving its risk framework; identification, mitigation and treatment strategies; and reporting regime. The Memorial's efforts have been reflected in the outcomes of the 2017 Comcover Risk Management Benchmarking Survey, with its overall risk maturity improving from *integrated* in 2016, to *advanced* in 2017.

Commonwealth performance framework

The Memorial recognises the importance of producing high quality performance information, but emphasises that this must be proportional to the cost-end effort required and usability by stakeholders.

The Memorial agreed that for the majority of agencies, mapping the programmes and outcomes in the PBS to the purposes (or priorities) discussed in the Corporate Plan would provide a clear link between these two documents and the annual performance statement published in the annual report.

The Memorial has made internal process changes and invested considerable effort in mapping its PBS, Corporate Plan and annual performance statements to ensure a clear read across each document and provide meaningful information to the Parliament and public. The performance information presented in the FY 2016-17 Corporate Plan was strengthened to better align the two documents and the Memorial

recognises the need to continually improve the development and disclosure of annual performance information.

The Memorial is confident that it has improved its compliance in this area and has submitted its FY 2016-17 Annual Report to the Department of Finance (Finance) PMRA team for feedback.

Support provided to Commonwealth entities

The Memorial acknowledges that the Finance has provided ongoing training and supporting policy advice to assist with agencies' readiness to apply the PGPA Act. Timeliness of advice from Finance on the practical implementation of some PGPA requirements was an issue previously (as noted at the JCPAA hearing in 2016), however the current level of support and guidance offered by Finance is effective.

Communication strategies such as the RMG and Communities of Practice have been well utilised by the Memorial, and the team at Finance (PRMA@finance.gov.au) have willingly offered individual, tailored advice for the Memorial.

The Memorial looks forward to continuing its positive relationship with Finance to contribute to the successful implementation of the Commonwealth's public management reforms agenda.

Summary

In summary, the Memorial is satisfied that generally, the PGPA Act and associated Rules have achieved its objective of being principles based, and provide agencies' with the flexibility to adopt the requirements of the Act, or in accordance with their accountable authority's written instructions or delegations.

Any proposed additional reporting and/or obligations need to consider the expected benefits against the cost and resourcing impact on smaller agencies.