
The Parliament of the Commonwealth of Australia

Report 441

Inquiry into *Public Governance, Performance and Accountability Act 2013* Rules Development

Joint Committee of Public Accounts and Audit

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Foreword

On 13 February 2014, the Joint Committee of Public Accounts and Audit (JCPAA) resolved to inquire into the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) rules development. The terms of reference for the inquiry were to ‘consider the process for the development of the rules, the impact of the rules, and the purpose of the rules in the context of the broader Public Management Reform Agenda (PMRA)’.

The JCPAA believes that stage one of the PMRA, comprising the PGPA Act and the implementation of the first set of PGPA rules, establishes a solid foundation for efficiencies and the framework for cultural change in Commonwealth resource management in future years. The PMRA, which comprises three broad stages, will require all Commonwealth entities to make the necessary cultural changes to maximise the value of these reforms, and leadership at the highest level and within central agencies will be crucial. If the benefits of this new framework are fully captured this would modernise public sector financial management, making Australia once again world leading in this area and positioning us well for the decades ahead.

As discussed in our report, the objectives of the PGPA Act and broader PMRA are extensive and include improved productivity and performance of the Commonwealth public sector, a more mature approach to risk across the Commonwealth, and improved quality of information to Parliament and the public. On this last point, the Committee has supported a proposal by the Australian National Audit Office that an additional guiding principle emphasising the Parliament’s role be applied in developing the remaining elements of the PMRA framework.

Some 19 PGPA rules were considered by the Committee as part of the inquiry, as set out in the Exposure Draft of the *Public Governance, Performance and Accountability Rule 2013* and two other instruments: the draft Commonwealth Procurement Rules and the draft Commonwealth Grants Rules and Guidelines.

The Committee noted general support from inquiry participants for the majority of draft rules required for 1 July 2014 commencement of the PGPA Act. However, we have made recommendations in response to specific issues raised by stakeholders concerning the draft PGPA rules on 'Approving commitments of relevant money' and 'Audit committees'. The Committee has also made recommendations relating to dual coverage of the PGPA Act and the *Public Service Act 1999*.

In terms of the development of future rules under the PGPA Act and other elements of the broader PMRA framework, the JCPAA intends to conduct inquiries into both stages two and three of the proposed reforms. These inquiries will continue the Committee's previous engagement with these critical reforms of the finance law that commenced with our earlier inquiry into the PGPA Bill 2013.

Key priority areas for stages two and three include a new risk framework and implementation of earned autonomy concepts; better facilitation of 'joined-up' government, and cooperation and partnership arrangements; and an improved performance framework, with draft PGPA rules for corporate plans, annual performance statements and annual reporting requirements. The PGPA rules relating to the performance framework are of particular interest to the JCPAA, given the many recommendations of past ANAO audits and Committee inquiries concerning performance reporting by Commonwealth agencies.

The Committee appreciated the issues raised by stakeholders during the inquiry regarding future PGPA rules and PMRA implementation, and the calls for early action in these areas. We commend the initial consultation process undertaken by the Department of Finance for the first set of proposed PGPA rules, and Finance's commitment to continue this process for the rules to be implemented post 1 July 2014. I also commend Finance for its leadership in driving this significant reform process.

Dr Andrew Southcott MP
Chair



Membership of the Committee

Chair Dr Andrew Southcott MP

Deputy Chair Mr Pat Conroy MP

Members	Ms Gai Brodtmann MP	Senator Cory Bernardi
	Mrs Jane Prentice MP (from 25/02/14)	Senator Alex Gallacher
	Mr Craig Laundry MP	Senator the Hon Kate Lundy
	Mr Andrew Giles MP (from 18/03/14)	Senator Anne Ruston
	Dr Peter Hendy MP (from 18/03/14)	Senator Dean Smith
	Mr Michael Sukkar MP	
	Mr Angus Taylor MP	
	Mr Tim Watts MP	
	Ms Lisa Chesters MP (until 18/03/14)	
	The Hon Tony Smith MP (until 18/03/14)	
	The Hon Dr Sharman Stone MP (until 25/02/14)	

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Terms of reference

On 13 February 2014, the Joint Committee of Public Accounts and Audit resolved to inquire into and report on the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) rules development. The Committee will consider the process for the development of the rules, the impact of the rules, and the purpose of the rules in the context of the broader Public Management Report Agenda.



List of abbreviations

ABC	Australian Broadcasting Corporation
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
ARTC	Australian Rail Track Corporation Ltd
ASX	Australian Securities Exchange
AWM	Australian War Memorial
C&T Bill	Public Government, Performance and Accountability (Consequential and Transitional Provisions) Bill 2014
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CFAR	Commonwealth Financial Accountability Review
CGCs	Commonwealth Grants Guidelines
CGRGs	Commonwealth Grants and Rules Guidelines
CPRs	Commonwealth Procurement Rules
CPSU	Commonwealth Public Service Union
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Finance	Department of Finance

FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMO	Finance Minister's Orders for Financial Reporting
GBEs	Government Business Enterprises
IBA	Indigenous Business Australia
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key Performance Indicator
MIC	Moorebank Intermodal Company Ltd
NFP	not-for-profit
OPC	Office of Parliamentary Counsel
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Bill	Public Government, Performance and Accountability Bill 2013
PGPA Rule	<i>Public Governance, Performance and Accountability Act 2013 Rule</i>
PMRA	Public Management Reform Agenda
PS Act	Public Service Act
RMIA	Risk Management Association of Australia
Statutory RDCs	Statutory Research and Development Corporations



List of recommendations

2 Rules required for 1 July 2014 commencement: consultation and implementation

Recommendation 1

The Committee recommends that the Department of Finance review all *Public Governance, Performance and Accountability Act 2013* guidance material to improve consistency in:

- the context provided
- document structure
- distinguishing between mandatory requirements and good practice terminology

3 Key issues: 1 July 2014 commencement

Recommendation 2

The Committee recommends that the following additional guiding principle be included as one of the guiding principles for the Public Management Reform Agenda:

- The financial framework, including the rules and supporting policy and guidance, should support the legitimate requirements of the Government and the Parliament in discharging their respective responsibilities.

Recommendation 3

The Committee recommends that the Department of Finance work to ensure that any necessary amendments are made to the *Auditor-General's Act 1997* such that the Australian National Audit Office has the power to audit the full planning, performance and accountability framework under the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 4

The Committee does not recommend a change to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) at this time, to address the potential confusion from dual coverage with the *Public Service Act 1999* (PS Act).

Instead, the Committee recommends that the Department of Finance and the Australian Public Service Commission work together to draft the necessary amendments to the PGPA Act and/or the PS Act to remove overlaps and reduce potential confusion from dual coverage, and that amendment proposals be put to the Parliament.

Recommendation 5

The Committee recommends that the Department of Finance (Finance) amend the draft guidance to s17 and s28 of the draft *Public Governance, Performance and Accountability Rule 2014* to emphasise that nothing in the draft rule precludes the chair, chief executive officer and chief financial officer of a Commonwealth body from attending audit committee meetings as an observer. Finance should also widely communicate this point.

Recommendation 6

The Committee recommends that draft rule s18 (Approving commitments of relevant money) of the *Public Governance, Performance and Accountability Rule 2014* be amended to explicitly place an obligation on all individual officials to consider proper use and management of public resources before approving commitments of relevant money.

Recommendation 7

The Committee recommends that the issue of commitments of relevant money, and the appropriateness of spending limits and associated documentation requirements set by accountable authorities, be included by the Department of Finance in the first independent review of the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 8

The Committee recommends that the draft guidance material supporting s18 (Approving commitments of relevant money) of the *Public Governance, Performance and Accountability Rule 2014* be amended to include discussion of the reasonable use of, and the risks involved in, officials approving aggregate expenditure proposals.

4 Key issues: post 1 July 2014

Recommendation 9

The Committee recommends that the Department of Finance continue its consultation process with stakeholders on the *Public Governance, Performance and Accountability Act 2013* rules development for the post July 2014 rules and the broader Public Management Reform Agenda, based on the comprehensive consultation approach taken to date.

Recommendation 10

The Committee recommends that the Department of Finance prepare and communicate a plan clearly outlining the anticipated dates for development and consultation of all future rules and guidance materials under the *Public Governance, Performance and Accountability Act 2013*, and the broader Public Management Reform Agenda.

