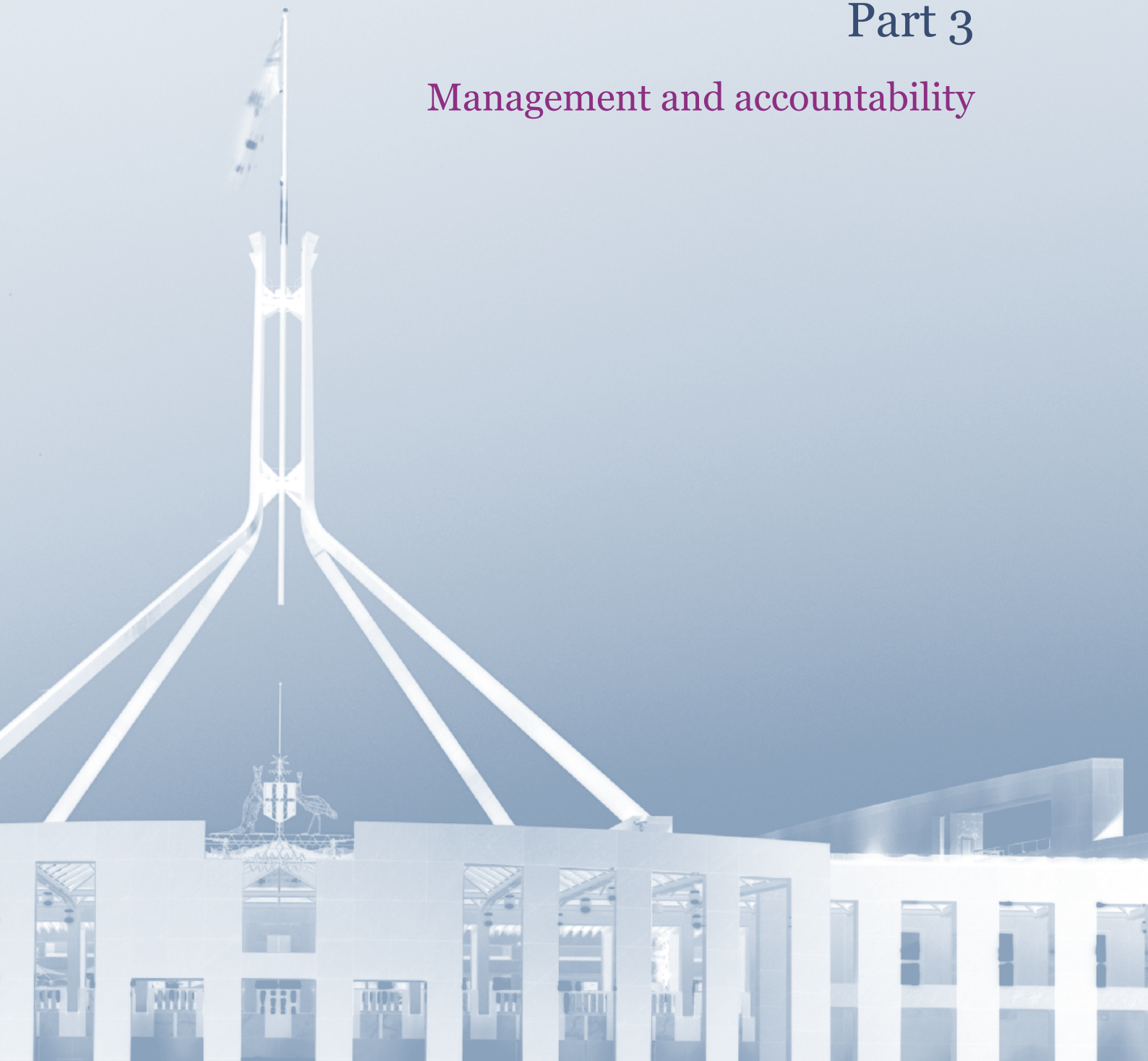


Part 3

Management and accountability



Corporate governance

The PBO's operations are governed by the requirements of the *Parliamentary Service Act 1999*, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and other legislation as applicable.

Under the Parliamentary Service Act and the PGPA Act, the Parliamentary Budget Officer is accountable for the PBO's performance and compliance with regulatory requirements.

The continued development of the PBO's governance framework, processes and arrangements was a focus during 2014–15.

Supporting the PBO's operations is a strong record keeping culture. The PBO adopts full digital record keeping practices. Of the 166 agencies that completed the National Archives of Australia annual Digital Check-up survey, the PBO was ranked the fourth highest agency. The PBO's top ratings were: the PBO works digitally by default, senior management supports digital information management as a priority, everyone contributes to digital information management, and our information is authentic, reliable and accurate.

The major components of the PBO's governance framework during the year comprised the PBO Executive, the Audit Committee, a risk management framework, a fraud control plan and a business continuity plan. The PBO also participated in Parliament House-wide governance arrangements.

PBO Executive

The PBO Executive consists of the Parliamentary Budget Officer and SES officers and meets weekly to consider PBO-wide issues.

Audit Committee

The Audit Committee provides independent advice and assurance to the Parliamentary Budget Officer about the PBO's governance arrangements. The committee comprises two independent members (including the chair) and the Assistant Parliamentary Budget Officer, Corporate Strategy Branch. The committee met five times during the financial year. The Chief Financial Officer, representatives from the ANAO, and the PBO's internal auditors also attended these meetings.

Risk management

Risk management forms an integral part of the PBO's governance arrangements.

During the year the PBO continued to establish its risk management practices, further embedding consideration of risk into its business operations. In April 2015, the PBO implemented its business continuity plan which reflected significant analysis of business impact should a business continuity event occur.

The fraud risks were identified for the first time and strategic risks identified in the risk management plan were reviewed and updated to reflect current environmental factors.

Following the review of its strategic risks, the PBO continued to embed risk management practices at the operational level through its divisional and branch work planning processes for 2015–16.

A full review of the PBO's approach to risk was undertaken through the 2014–15 Comcover risk management benchmarking program. The result of the program noted the PBO is operating at an advanced level of risk maturity and is in the top 21 per cent of all agencies who participated. The results further showed that the PBO is above average on all aspects of risk management and is at a risk maturity level higher than its peer group of similar Commonwealth agencies.

Operating at an advanced level reflects the PBO's approach to risk management as a proactive activity that is integrated with the development of the PBO's strategic and business planning processes. In particular the PBO has ensured the accountability and responsibility for all aspects of risk management is clearly articulated.

Fraud prevention and control

During 2014–15, the PBO reviewed its fraud control plan to ensure that it complies with the Commonwealth Fraud Control Policy and section 10 of the *Public Governance, Performance and Accountability Rule 2014*. The PBO finalised its assessment to identify potential fraud risks and any gaps in its control framework and established its fraud risk register.

In 2014–15 the PBO took all reasonable measures to minimise the incidence of fraud. The completion of the fraud risk assessment during 2014–15 contributed to raising awareness and preventing fraud within the PBO.

Provision of corporate services to the PBO

When the PBO commenced operations in July 2012, it entered into service provision arrangements with the Department of Parliamentary Services (DPS) for a range of corporate services and the Department of the House of Representatives (DHoR) for payroll services. At that time, DHoR also provided payroll services to DPS.

Due to tight timeframes to get the PBO's corporate operations up and running quickly at that time, the other parliamentary departments were not given an opportunity to express interest in providing the PBO with corporate services.

In early 2014–15, the PBO decided to review these arrangements and invited proposals from each of the other parliamentary departments for the provision of financial and other corporate services to the PBO, excluding information and communication technology (ICT) services and hardware. Proposals were received in August and September 2014.

On 17 September 2014, following an assessment of the proposals, the PBO accepted, as best value for money, a proposal from the Department of the Senate (DoS) to provide corporate services to the PBO, comprising financial processing and reporting, payroll processing, and records management administration.

The provision of ICT services and hardware to the PBO remains with DPS in accordance with the outcomes of the Roche review.

On 24 November 2014, the Parliamentary Budget Officer and the Clerk of the Senate signed a Memorandum of Understanding for the provision of non-ICT corporate services by DoS to the PBO. The provision of these services commenced on 1 December 2014.

Interdepartmental committees

The PBO participates in a range of interdepartmental committees through which the parliamentary departments co-ordinate common and joint activities, particularly in relation to corporate and information technology matters.

External scrutiny

During 2014–15, the PBO continued its involvement with parliamentary committees and was subject to a review by the Joint Committee of Public Accounts and Audit (JCPAA). Further information on these activities is provided below. There were no other external reports, reviews or judicial decisions involving the PBO.

Joint Committee of Public Accounts and Audit

During 2014–15, the JCPAA continued to play an important oversight role for the PBO. The Parliamentary Budget Officer met with the committee in relation to the PBO’s work plan and resourcing. Further, the JCPAA undertook a review and provided a positive report on the activities of the PBO with the release in November 2014 of Report 446: *Review of the Operations of the Parliamentary Budget Office*.

Senate Finance and Public Administration Legislation Committee

The PBO appeared before the Senate Finance and Public Administration Legislation Committee throughout the financial year. In advance of each hearing, the PBO continued to provide the committee with activity and staffing data.

Human resource management

To meet its mandate effectively the PBO relies heavily on the skills base, experience and commitment of its employees. Efficient recruitment and continuing to develop and retain its existing workforce was a high priority for the PBO in 2014–15.

Details of the classification level, employment status and gender of the PBO’s employees are included in Appendix B.

Employment arrangements

The PBO’s SES employees are engaged under individual determinations under section 24(1) of the Parliamentary Service Act, with their remuneration and superannuation salary set under common law agreements.

All non-SES employees are engaged under common law agreements.

The PBO reviewed its employment arrangements following the release of the Australian Government Public Sector Workplace Bargaining Policy in March 2014.

The Parliamentary Budget Officer is engaged as a full-time public office holder under section 64X of the Parliamentary Service Act and his remuneration is determined by the Remuneration Tribunal.

The PBO did not make any performance payments to employees during 2014–15. Under the PBO’s Performance Management Framework, increments through the PBO’s salary ranges are based on performance achievements.

Employees have access to a number of non-salary benefits including study assistance, payment of certain professional membership fees, and access to salary sacrifice benefits. Employees also have access to the Capital Hill Early Childhood Centre in Parliament House.

The development of human resources policies to support the PBO’s employment arrangements and legislative framework was a priority in 2014–15. A number of policies were implemented during the year relating to study assistance, workplace diversity, appropriate workplace behaviour, underperformance and a pandemic plan.

Secondment program

In May 2015, the PBO initiated a secondment program with selected Commonwealth agencies to seek assistance in augmenting the PBO workforce in the lead up to the next general election. The PBO sought seconded staff with strong quantitative analysis skills and an aptitude for economic and financial modelling across a range of program areas. The PBO plans to build on this secondment program over the 2015–16 year.

2015 Parliament of Australia Graduate Program

During 2014–15, the PBO participated in the 2015 Parliament of Australia Graduate Program. The program allows participants from APS graduate programs to undertake a three-month placement with the PBO to learn about the role and functions of the PBO, as well as the Parliament generally. Five graduates from the 2014 and 2015 programs were placed with the PBO in 2014–15.

Jawun Indigenous Community Australian Public Service (APS) Secondment Program

Jawun is a not-for-profit organisation managing secondments from corporate and government partners to Jawun Indigenous partner organisations. During 2014–15, through the Australian Public Service Commission, the PBO nominated an employee to participate in the 2015 Jawun Indigenous Community APS Secondment Program. The objectives of participation in the program are to increase both the employee's and the PBO's cultural awareness and broader awareness of Indigenous matters, and provide positive outcomes for the Indigenous communities. The PBO's nomination was successful with the secondment occurring in August–September 2015.

Asset management

The PBO's asset management framework includes an asset register that records all assets held by the PBO. An annual stocktake keeps records accurate and up to date.

The PBO's assets are limited mainly to the protected ICT network software, office fitout and equipment.

The PBO's capital budgeting is integrated with strategic planning, which occurs prior to the beginning of each financial year in conjunction with the PBO's annual operating budget processes.

Purchasing

Purchasing was managed in accordance with the PBO's Accountable Authority Instructions and financial policies, which are consistent with the Commonwealth Procurement Rules. The PBO's purchasing processes focus on the core principle of value for money. This is achieved through:

- encouraging competition and non-discriminatory processes
- using Commonwealth resources in an efficient, effective, economical and ethical manner that is not inconsistent with the policies of the Commonwealth
- making decisions in an accountable and transparent manner
- considering the appropriate level of risks
- conducting a process commensurate with the scale and scope of the procurement.

Consultants

The PBO engages consultants where specialist skills are required that are not available inhouse or when independent research, review or assessment is required.

During 2014–15, five new consultancy contracts were entered into, involving a total expenditure of \$60,995 (inclusive of GST). In addition, four ongoing consultancy contracts were active during the 2014–15 year, involving total actual expenditure of \$37,576 (inclusive of GST).

The majority of expenditure (89 per cent) on consultancy contracts was for internal audit services, a stakeholder survey and legal services.

Information on the value of contracts and consultancies awarded with a value of \$10,000 or more is available on the AusTender website (www.tenders.gov.au).

Australian National Audit Office access clauses

No contracts of \$100,000 or more (inclusive of GST) were let during the year.

Exempt contracts

During 2014–15 the PBO had no exempt contracts.

Procurement initiatives to support small business

The PBO supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SME) and small enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

The PBO has adopted procurement practices to support SMEs including the adoption of the Commonwealth Contracting Suite for low risk procurements valued under \$200,000 and electronic systems to facilitate on-time payment performance.