



Australian Government

Department of Finance

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No. 469

Recommendations to the Department of Finance

General Comments

On 6 December 2017, the Joint Committee of Public Accounts and Audit (the Committee) released Report 469 on its inquiry into the enhanced Commonwealth Performance Framework. The Committee's inquiry was based on the Auditor-General's Audit Reports No. 58 (2016-17): *Implementation of the Annual Performance Statements Requirements 2015-16*, No. 6 (2016-17): *Corporate Planning in the Australian Public Sector*, and No. 31 (2015-16), *Administration of Higher Education Loan Program Debt and Repayments*.

Report 469 made ten recommendations, seven of which are within the Department of Finance's (Finance) primary areas of responsibility. The Report gave primary responsibility for Recommendation 7 to the Australian Public Service Commission (APSC). Finance, in consultation with the Secretariat to the JCPAA and the APSC, has assumed primary responsibility for Recommendation 7. Finance has provided a single response to cover both Recommendations 7 and 8. The Australian National Audit Office (ANAO) was consulted on the response to both of these recommendations. The Department of Education and Training was consulted and has advised that the issues addressed in Recommendation 7 fall outside its policy remit. It has not contributed to the response.

Report 469 was tabled in the Senate on 6 December 2017, and in the House of Representatives on 6 December 2017. The relevant recommendations are reproduced below, along with the responses.

Response to the recommendations

Recommendation 2

The Committee recommends that the Department of Finance note that the Committee refers the following matters to the attention of the Independent Review of the Public Governance, Performance and Accountability Act 2013:

- *the requirements relating to the inclusion in corporate plans of resourcing information and key entity risks, informed by the findings of ANAO Report No. 6 (2016-17), Corporate Planning in the Australian Public Sector (paragraphs 3.10-3.16)*
- *the content, interpretation and application of the mandatory process requirement relating to the four reporting periods of the corporate plan, informed by the findings of Audit Report No 54. (2016-17), Corporate Planning in the Australian Public Sector 2016-17 (paragraphs 2.21-2.24).*

Response

Finance notes that these matters have been referred to the Independent Review of the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 3

The Committee recommends that the Department of Finance report back to the Committee on progress in implementation by Commonwealth entities of a more mature approach to risk management and 'joined up' government, including key milestones, deliverables and outcomes to date, particularly as evidenced through entity performance reporting documentation.

Response

The Independent Review of the *Public Governance, Performance and Accountability Act 2013* is considering the matters of 'joined up' government and a more mature approach to risk management, and will make observations and recommendations in relation to these. Finance will report back to the Committee as recommended, once the Review has completed its report.

Recommendation 4

The Committee recommends that the Department of Finance undertake a more comprehensive monitoring and evaluation program for the ongoing implementation of the Commonwealth performance framework, including reporting on:

- *the quality of performance information*
- *line of sight across performance reporting documentation*
- *progress in terms of the broader Public Management Reform Agenda*
- *whole-of-government outcomes for implementation of the framework*

Finance should provide a yearly report to the Committee on the above matters by way of a snapshot on the 'health' of the Commonwealth performance framework, with this report to also be published on the Finance website.

Response

Finance agrees with the recommendation and is taking action to implement it.

Finance has completed compliance and quality assessments of corporate plans and annual performance statements for the first three cycles of reporting under the enhanced Commonwealth performance framework. These assessments formed the basis of five Lessons Learned papers:

- 2015-16 Corporate Plans Lessons Learned - February 2016
- 2016-17 Corporate Plans Lessons Learned - January 2017
- 2015-16 Annual Performance Statements Lessons Learned - March 2017
- 2017-18 Corporate Plans Lessons Learned - November 2017
- 2016-17 Annual Performance Statements Lessons Learned - March 2018

These papers provide the findings of the assessments of that round of reporting, and identify better practice examples drawn directly from entity performance documents. The findings of these assessments have been presented and discussed in Performance Community of Practice sessions held in Canberra, Sydney and Melbourne. In total, 14 of these sessions have been held since the implementation of the enhanced Commonwealth performance framework, the most recent in November and December 2017. Feedback gathered at these sessions informed revisions of guidance and supporting material designed to improve performance information reported by entities.

In its most recent Lessons Learned paper on annual performance statements dated April 2018, Finance looked for examples of a line of sight of performance information from one corporate plan and annual performance statement to the next, where an entity might clearly build a performance story over time. Performance measures were mapped from entity Portfolio Budget Statements and corporate plans through to annual performance statements. Finance has also been monitoring Portfolio Budget Statements to test adherence with the Finance Secretary's Direction for the provision of Performance Information in Portfolio Budget Statements.

Consistent with the Committee's recommendation, Finance will address the full performance cycle in its future Lessons Learned papers, rather than focusing on individual planning and reporting documents in isolation. Finance is undertaking a pilot

study for the 2017-18 cycle, and will publish an assessment of the 2018-19 performance cycle after the tabling of the 2018-19 annual performance statements.

The intention is to produce trend data to gauge overall maturity of performance reporting and to track improvement in this area over time. This assessment will be reported to the Committee and published on the Finance website as requested.

Recommendation 6

The Committee recommends that:

- *the Australian Government amend the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and the accompanying rules and guidance as required, as a matter of priority, to enable mandatory annual audits of performance statements by the Auditor-General of entities selected by the Auditor-General for review, with the Department of Finance to report back to the Committee on progress on this matter, including consultation with the Auditor-General and Commonwealth entities on implementation timeframes and capacity building*
- *Finance note that the Committee also refers the above matter to the attention of the Independent Review of the PGPA Act.*

Response

Finance notes that this matter has been referred to the Independent Review of the *Public Governance, Performance and Accountability Act 2013*.

Recommendation 7

The Committee recommends that the Australian Public Service Commission, in consultation with the Department of Finance, the Australian National Audit Office and the Department of Education and Training, conduct a review on whether non-financial performance reporting and evaluation as a training and research discipline requires strengthening, with the APSC to report back to the Committee on progress on this matter.

Recommendation 8

The Committee recommends that the Department of Finance, in consultation with the Australian Public Service Commission and the Australian National Audit Office, jointly develop Commonwealth capacity training for non-financial performance reporting and evaluation, as a parallel for existing capacity training for accountancy/financial reporting, and report back to the Committee on this matter.

Response

Finance agrees with the recommendations.

Finance monitors research and training in the academic and other sectors and engages with professionals in the evaluation and non-financial reporting disciplines to identify ways to build and embed capacity across the Commonwealth. Some examples of our collaborative work so far are:

- hosting an academic symposium on improving performance information which included attendees from the Royal Melbourne Institute of Technology, University of New South Wales, University of Queensland, University of Sydney, and University of Canberra;
- running workshops on the development of performance information with the Australia and New Zealand School of Government;
- engaging with the Australasian Evaluation Society (AES) to support evaluation practitioners in embedding themselves in the development of performance information and the assessment of the appropriateness of this information. This includes publication of a paper by invitation in the Evaluation Journal of Australasia and participating in workshops at AES conferences; and
- engaging with professional groups including the Australian Institute of Company Directors, Governance Institute of Australia, Internal Audit Institute of Australia, Risk Management Institute of Australia, Chartered Accountants Australia and New Zealand and Certified Public Accountants Australia to ensure their coursework and material aligns with the enhanced Commonwealth performance framework.

Finance will continue to build upon its previous activity, in partnership with others, including the APSC.

Finance notes that the environment within which entities undertake activities to achieve their purposes, and the measures they develop to provide stakeholders with an understanding of their performance, is varied and complex. Previous attempts to measure and report Commonwealth entity performance failed to take account of this complexity, resulting in a focus on reporting the outputs produced, as opposed to the outcomes achieved, impact made and value created as a result of Government activity.

It is Finance's view that a standardised performance system or framework to measure and report non-financial performance is not appropriate for such a varied and complex operating environment.

Finance considers that capacity training and support provided for the accountancy and financial reporting disciplines are not an appropriate model for capacity building in non-financial performance reporting. The accounting and financial reporting disciplines are based on standards, rule sets, and methodologies that translate across all types of entities. For example, a grant paid by the Department of Health and a grant paid by the Department of Education are recorded in the same way in financial statements. However, they are reported differently in their respective annual performance statements as the stakeholders they affect, and the context within which they operate, are different.

To build capacity in non-financial reporting, Finance provides guidance material, one-on-one assistance, and analysis of lessons learned from each round of performance documents.

Finance is working with the APSC, which has a key role in fostering and contributing to high quality learning and development aligned to the needs of the APS. The APSC provides learning and development support to the APS including advice, guidance and training courses in leadership, management, and core skills across all levels including SES, middle management and new starters.

Finance and the APSC will identify and raise awareness of evaluation and non-financial performance monitoring and reporting, through existing and new training modules and reference materials.

Recommendation 9

The Committee recommends that:

- *the Australian Government amend, as necessary, the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and accompanying rules and guidance, to clarify that the functions and charter of Commonwealth entity audit committees need to reflect their role in assurance of the appropriateness of performance reporting, as well as specifying that some members must have skills in performance measurement and reporting, with the Department of Finance to report back to the Committee on progress on this matter*
- *Finance note that the Committee also refers the above matter to the attention of the Independent Review of the PGPA Act.*

Response

Finance notes that this matter has been referred to the Independent Review of the *Public Governance, Performance and Accountability Act 2013*.