



24 March 2014
File E2012-01398

Mr David Brunoro
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Brunoro

Inquiry into Public Governance, Performance and Accountability Act 2013 (PGPA Act) Rules Development

Thank you for your invitation to submit the Memorial's contribution to the Committee's PGPA Act Rules Development Inquiry, which will also be provided in electronic format.

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

Yours sincerely,

[REDACTED]
Ms Leanne Patterson
Chief Finance Officer

Australian War Memorial submission: Inquiry into Public Governance, Performance and Accountability Act 2013 Rules Development

Terms of reference / reason for referral to the Joint Committee of Public Accounts and Audit:

On 13 February 2014, the Joint Public Accounts and Audit Committee 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 Reform Agenda.

Please note:

- The Committee invites interested persons and organisations to make submissions addressing the terms of reference by 24 March 2014;*
- The Committee's inquiry is a separate process from the initial consultation process on the proposed rules undertaken by the Department of Finance;*
- Following this initial consultation process the Department of Finance will be submitting updated draft rules to the Committee, which the Committee intends to publish on its website on 6 March 2014; and*
- Individuals and organisations making submissions to the inquiry are encouraged to have reference to these updated draft rules, and other submissions made by the Department of Finance.*

The Memorial acknowledges that the Department of Finance (DoF) has provided adequate opportunity for agencies to contribute to the Rules development prior to the issue of drafts for public comment, through participation in working group meetings and out of session consultation via email. The purpose of each draft rule in relation to broader public management reforms was established in the consultation process, as was a comparison to existing legislative requirements to enable agencies to readily identify the potential impact of the proposed amendments.

It appears that many of the Memorial's particular concerns which were communicated through early Commonwealth Financial Accountability Review (CFAR) consultation processes will not be addressed via the Rules expected to be in place from 1 July 2014.

While there are some new requirements (such as annual performance reporting), the majority of the 17 draft Rules issued to date do not present significant departures from the current practice.

However, one proposed change is not supported, and the Memorial has formally expressed its concern regarding the draft rule which excludes the Chairman of Council as a member of the Audit Committee. The rule is made on the basis of strengthening the independence of the Committee and Council from senior leadership and management roles in the organisation. However, in the Memorial's view, retaining the option to allow the Chairman of Council to be a general member does not compromise the independence of the Audit Committee. It provides the opportunity for the Chairman of Council to tender well-informed strategic input, noting that this position is independently elected by Council members. This accords with the principles embodied in the *Australian War Memorial Act 1980* regarding the independence of the Memorial's Council. It is also noted that the 2011 Australian National Audit Office Better Practice Guide for

Public Sector Audit Committees (on which the Memorial's Audit Committee charter is based) does not restrict membership in the manner proposed by the draft rule, which seems unnecessarily prescriptive and presumes the Chairman of Council could use their position outside of the Committee to unduly influence its work.

Apart from the prescriptive requirement in the rule above, the Memorial is satisfied that generally, the draft rules are 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. For example, the draft rule for banking relevant money requires it to be deposited by the next banking day, or in accordance with the prescribed period in the instructions of the accountable authority. This rule acknowledges that requiring all agencies to bank all receipts the next banking day may not be an efficient and effective use of public resources.

Similarly, the draft rule to approve commitments of relevant money requires officials to record their approval in writing after giving it, and the approval must be in accordance with written requirements of the accountable authority. This approach allows agencies' to determine the most appropriate resource management arrangements for their specific operations, rather than applying a mandatory threshold or approvals process for all agencies that may not be relevant in all circumstances.

The Memorial has reviewed the DoF submission and notes that a range of training, supporting policy advice and formal legislative instruments are scheduled for distribution to agencies from March 2014 to assist with agencies' readiness to apply the new requirements by 1 July.

As the Public Management Reform Agenda progresses through Phases 2 and 3, the Memorial understands that further consideration will be given to proposals initially identified in the CFAR process, such as agency banking, earned autonomy, tiered reporting, and the appropriation framework. The Memorial looks forward to its continued participation in the consultation process for the Commonwealth's public management reforms in the lead up to the PGPA Act implementation date on 1 July 2014 and beyond.